

**THE FLORIDA ANNUAL CONFERENCE
OF THE UNITED METHODIST CHURCH**

FINANCIAL STATEMENTS
December 31, 2010 and 2009

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
Lakeland, Florida

FINANCIAL STATEMENTS
December 31, 2010 and 2009

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REPORT OF INDEPENDENT AUDITORS

The Audit Committee on
Finance and Administration
The Florida Annual Conference of
The United Methodist Church
Lakeland, Florida

We have audited the accompanying statements of financial position of The Florida Annual Conference of The United Methodist Church (the 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'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.

The Conference has excluded the balances and activities of Florida Southern College (FSC), the Florida United Methodist Children's Home (the Home) and the Conference's nine district offices that, in our opinion, should be included to conform with accounting principles generally accepted in the United States of America. If these entities were included, assets would be increased by \$246,167,181 and \$231,088,594, liabilities would be increased by \$44,083,895 and \$41,394,714, and net assets would be increased by \$202,083,286 and \$189,693,880 for 2010 and 2009, respectively. Additionally change in net assets would be increased by \$12,389,406 and \$11,353,488, for the years then ended.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Florida Annual 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.

(Continued)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Conference taken as a whole. The supplementary information on pages 35-44 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 audits of the basic financial statements and, in our opinion, except for the omission of the information discussed in the paragraph above, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Crowe Horwath LLP
Crowe Horwath LLP

Lakeland, Florida
May 25, 2011

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 2,412,885	\$ 1,615,352
Accounts receivable	6,488,721	6,825,029
Less allowance for doubtful accounts:		
Health/pension benefits	(255,000)	(249,324)
Ministry protection	(1,842,000)	(2,000,000)
Net accounts receivable	<u>4,391,721</u>	<u>4,575,705</u>
Contributions receivable, net (Note 2)	1,467,877	1,894,558
Notes and mortgage notes receivable	9,449,156	9,411,555
Less allowance for doubtful accounts	<u>(142,869)</u>	<u>-</u>
	9,306,287	9,411,555
Investments		
Held with affiliated organizations (Notes 3 and 5)	49,889,759	50,036,720
Beneficial interest in trusts held with others (Notes 5 and 6)	1,530,199	1,430,788
Held with third party brokers (Notes 4 and 5)	12,237,598	5,948,693
Certificates of deposit (Notes 4 and 5)	<u>103,932</u>	<u>228,497</u>
Total investments	63,761,488	57,644,698
Property and equipment, net (Note 8)	16,667,780	15,777,829
Other assets	<u>44,324</u>	<u>117,019</u>
	<u>\$ 98,052,362</u>	<u>\$ 91,036,716</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses (Note 7)	\$ 917,592	\$ 1,321,748
Accrued loss reserves (Note 9 and 10)	5,923,379	7,039,951
Notes payable (Note 11)	1,138,501	1,134,980
OPEB liability (Note 12)	56,173,705	44,836,835
Funds held as agent	<u>1,931,771</u>	<u>2,252,099</u>
Total liabilities	66,084,948	56,585,613
Net assets		
Unrestricted:		
Undesignated	16,483,204	16,877,715
Board designated:		
Ministry protection (Note 10)	7,125,958	5,744,066
Pension and health benefits	<u>(15,077,412)</u>	<u>(9,950,397)</u>
Total unrestricted net assets	8,531,750	12,671,384
Temporarily restricted (Notes 13)	20,592,339	19,379,451
Permanently restricted (Note 14)	<u>2,843,325</u>	<u>2,400,268</u>
Total net assets	<u>31,967,414</u>	<u>34,451,103</u>
	<u>\$ 98,052,362</u>	<u>\$ 91,036,716</u>

See accompanying notes to financial statements.

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
STATEMENT OF ACTIVITIES
Year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Contributions and apportionments				
Conference benevolences, clergy				
support and church development	\$ 6,819,530	\$ -	\$ -	\$ 6,819,530
Conference service and administration	2,393,789	-	-	2,393,789
Other contributions and grants	4,286,178	2,483,486	350,000	7,119,664
Self insurance program (Notes 9 and 10)	26,740,212	-	-	26,740,212
Interest income on loans	-	329,410	-	329,410
Interest and dividends (Notes 3 and 4)	1,388,220	223,029	-	1,611,249
Change in valuation of beneficial interest				
in trusts held with others (Note 6)	-	6,354	93,057	99,411
Net investment return (Notes 3 and 4)	3,321,195	426,353	-	3,747,548
Fees for services	3,309,690	37,897	-	3,347,587
Other income	269,583	61,924	-	331,507
Gain (loss) on sale of fixed asset (Note 1)	(196,967)	98,437	-	(98,530)
Net assets released from restrictions (Note 15)	<u>2,454,002</u>	<u>(2,454,002)</u>	<u>-</u>	<u>-</u>
Total revenue	50,785,432	1,212,888	443,057	52,441,377
Expenses				
Conference benevolences, clergy				
support and church development	5,554,675	-	-	5,554,675
Conference service and administration	1,806,249	-	-	1,806,249
Other benevolences and grant expenditures	5,423,891	-	-	5,423,891
Self insurance program (Notes 9 and 10)	30,982,652	-	-	30,982,652
Depreciation (Note 8)	842,507	-	-	842,507
Costs of services and other expenses	<u>5,067,862</u>	<u>-</u>	<u>-</u>	<u>5,067,862</u>
Total expenses	<u>49,677,836</u>	<u>-</u>	<u>-</u>	<u>49,677,836</u>
Change in net assets before other changes	1,107,596	1,212,888	443,057	2,763,541
Other post retirement changes other than net periodic cost (Note 12)	<u>(5,247,230)</u>	<u>-</u>	<u>-</u>	<u>(5,247,230)</u>
Change in net assets	(4,139,634)	1,212,888	443,057	(2,483,689)
Net assets at beginning of year	<u>12,671,384</u>	<u>19,379,451</u>	<u>2,400,268</u>	<u>34,451,103</u>
Net assets at end of year	<u>\$ 8,531,750</u>	<u>\$ 20,592,339</u>	<u>\$ 2,843,325</u>	<u>\$ 31,967,414</u>

See accompanying notes to financial statements.

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
STATEMENT OF ACTIVITIES
Year ended December 31, 2009

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Revenue				
Contributions and apportionments				
Conference benevolences, clergy				
support and church development	\$ 6,038,494	\$ -	\$ -	\$ 6,038,494
Conference service and administration	2,416,152	-	-	2,416,152
Other contributions and grants	4,288,623	929,403	-	5,218,026
Self insurance program (Notes 9 and 10)	26,727,115	-	-	26,727,115
Interest income on loans	-	406,859	-	406,859
Interest and dividends (Notes 3 and 4)	1,386,695	226,418	-	1,613,113
Change in valuation of beneficial interest				
in trusts held with others (Note 6)	-	1,975	196,986	198,961
Net investment return (Notes 3 and 4)	5,019,281	703,501	-	5,722,782
Fees for services	3,220,811	45,367	-	3,266,178
Other income	757,177	223,881	-	981,058
Gain on sale of fixed asset (Note 1)	3,078,724	-	-	3,078,724
Net assets released from restrictions (Note 15)	<u>1,601,502</u>	<u>(1,601,502)</u>	<u>-</u>	<u>-</u>
Total revenue	54,534,574	935,902	196,986	55,667,462
Expenses				
Conference benevolences, clergy				
support and church development	5,705,291	-	-	5,705,291
Conference service and administration	1,938,900	-	-	1,938,900
Other benevolences and grant expenditures	8,575,323	-	-	8,575,323
Self insurance program (Notes 9 and 10)	30,410,926	-	-	30,410,926
Depreciation (Note 8)	721,580	-	-	721,580
Costs of services and other expenses	<u>3,238,099</u>	<u>-</u>	<u>-</u>	<u>3,238,099</u>
Total expenses	<u>50,590,119</u>	<u>-</u>	<u>-</u>	<u>50,590,119</u>
Change in net assets before other changes	3,944,455	935,902	196,986	5,077,343
Other post retirement changes other than net periodic cost (Note 12)	<u>3,383,877</u>	<u>-</u>	<u>-</u>	<u>3,383,877</u>
Change in net assets	7,328,332	935,902	196,986	8,461,220
Net assets at beginning of year	<u>5,343,052</u>	<u>18,443,549</u>	<u>2,203,282</u>	<u>25,989,883</u>
Net assets at end of year	<u>\$ 12,671,384</u>	<u>\$ 19,379,451</u>	<u>\$ 2,400,268</u>	<u>\$ 34,451,103</u>

See accompanying notes to financial statements.

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
STATEMENT OF CASH FLOWS
Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ (2,483,689)	\$ 8,461,220
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Increase (decrease) in provision for bad debts	(9,455)	18,800
Depreciation	842,507	721,580
Postretirement benefit changes other than periodic cost	5,247,230	(3,383,877)
Unrealized (gain) loss on investments	(3,241,254)	(8,611,373)
Realized (gain) loss on investments	(861,151)	2,673,540
Loss (gain) on sale of property and equipment	98,530	(3,078,724)
Contributions to permanently restricted endow ment	(350,000)	-
Changes in assets and liabilities		
(Increase) decrease in accounts and contributions receivable	762,989	2,029,819
(Increase) decrease in other assets	72,695	(99,951)
Increase (decrease) in accounts payable and accrued expenses	(404,156)	(157,449)
Increase in OPEB liability	6,089,640	5,957,174
Increase (decrease) in accrued loss reserves	(1,116,572)	(1,054,190)
Decrease in funds held as agent	(320,328)	(98,914)
Net cash provided by operating activities	<u>4,326,986</u>	<u>3,377,655</u>
Cash flows from investing activities		
Purchases of property and equipment	(3,679,233)	(5,210,241)
Proceeds from sale of property and equipment	1,848,245	3,460,117
(Increase) decrease in notes and mortgage note receivable	(37,601)	(1,170,837)
Purchase of investments	(10,896,777)	(17,560,956)
Sales and maturities of investments	<u>8,882,392</u>	<u>14,776,078</u>
Net cash used in investing activities	<u>(3,882,974)</u>	<u>(5,705,839)</u>
Cash flows from financing activities		
Proceeds from loan	55,735	235,000
Loan repayments	(52,214)	(47,580)
Contributions to permanently restricted endow ment	<u>350,000</u>	<u>-</u>
Net cash used in financing activities	<u>353,521</u>	<u>187,420</u>
Change in cash and cash equivalents	797,533	(2,140,764)
Cash and cash equivalents at beginning of year	<u>1,615,352</u>	<u>3,756,116</u>
Cash and cash equivalents at end of year	<u>\$ 2,412,885</u>	<u>\$ 1,615,352</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 156,475</u>	<u>\$ 177,955</u>
Donated property and equipment	<u>\$ 69,011</u>	<u>\$ -</u>
In kind income/expense	<u>\$ 235,566</u>	<u>\$ 239,185</u>

See accompanying notes to financial statements.

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: The Florida Annual Conference of The United Methodist Church (the Conference) is composed of 9 districts, and approximately 720 churches and missions located in Florida from the Apalachicola River to Key West, and is a part of The United Methodist Church. The primary financial responsibility of the Conference is to serve as a conduit for monies contributed by individual church members through their local churches for the programs of The United Methodist Church at the district, conference, jurisdictional and national levels.

The corporate entities, unincorporated boards, and councils for which funds are included in the accompanying financial statements of the Conference include the Board of Ordained Ministry, the Board of Trustees, the Board of Trustees of the Preachers' Relief Board, the Committee on New Church Development, the Board of Higher Education and Campus Ministries, the Conference Committee of Pension and Health Benefits, the Ministry Protection Committee and the Board of Camps and Retreats Ministries. All significant balances and transactions among the Conference entities included in the accompanying financial statements have been eliminated.

Basis of Accounting: The financial statements of the Conference have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Purchase of New Conference Center: On May 4, 2009 the Conference sold the Conference Center property located at 1140 E. McDonald Street in Lakeland, Florida to FSC for \$3.5 million. The Conference continued to occupy the McDonald Street property until its new Conference Center located at 450 Martin L. King Jr. Avenue was completed. The Conference paid FSC \$1 in rent for the right to occupy the McDonald Street property through June 14, 2010. The Conference has calculated the fair value of rent from January 1 to June 14, 2010 to be \$160,940. This amount is recorded as donated rent under other income and as rent expense under Conference services and administration in the Statement of Activities.

Affiliated Organizations: The Florida Conference is divided into nine districts. The district offices hold and administer the real and personal property of the districts and oversee the administration of district extension ministries, new church development and missions. The nine districts are overseen by superintendents who are appointed by the Bishop of the Florida Conference.

To fund the operations and ministries of the districts, the Conference receives and forwards to the districts work fund and new church development apportionment payments from the churches in each district. In addition, the Conference provides financial support to the districts through its apportionment giving budget. The table below details the sources of funds the districts receive from the Conference through the district apportionments, Council on Equitable Compensation and the Conference Committee on New Church Development.

	<u>2010</u>	<u>2009</u>
Work Fund Apportionments	\$ 1,843,764	\$ 1,545,232
NCD Apportionments	1,223,578	1,235,272
Equitable Compensation	684,259	623,062
New Church Development	<u>609,221</u>	<u>501,516</u>
 Total	 <u>\$ 4,360,822</u>	 <u>\$ 3,905,081</u>

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The districts pay the Conference for health insurance and property and casualty insurance. The districts paid the Conference \$133,713 and \$141,167 for health insurance in 2010 and 2009. The districts paid the Conference \$427,608 and \$447,941 for property and casualty insurance in 2010 and 2009.

To comply with GAAP, the Conference would need to consolidate the balances and activities of its nine district offices into its financial statements. The Conference has elected not to consolidate its district balances and activities into its financial statements. If they had been consolidated, assets would be increased by \$41,133,162 and \$39,705,469, liabilities would be increased by \$5,547,300 and \$5,552,472, and net assets would be increased by \$35,585,862 and \$34,152,997 for the years ended 2010 and 2009.

The Florida United Methodist Foundation, Inc. (the "Foundation") is a 501(c) (3) not-for-profit organization organized on June 19, 1966. The Foundation is an agency of the Conference and the United Methodist Church. Members of the Foundation are the lay and clergy members of the Florida Annual Conference. The Board of Directors is elected by the corporate members of the Foundation at the annual meeting of the Florida United Methodist Foundation. Because of the way the Board of Directors is selected, the Foundation is not required to be consolidated in to the Conference financial statements.

The purpose of the Foundation is to facilitate low-interest loans to United Methodist Churches and agencies of the Conference, and to facilitate charitable giving to churches, institutions, boards, and agencies of the Conference. As such, the Foundation serves as a channel in the handling of gifts to United Methodist institutions through charitable and estate planning opportunities. The Foundation is legally authorized to serve as trustee in the administration of charitable gift annuities, charitable trusts, donor advised funds, and other gifts created for the benefit of any United Methodist institution, local church or church organization.

The Foundation makes first mortgage loans to United Methodist churches, including loans for the construction and major improvement of churches, parsonages, church schools and other church operated facilities. The Foundation also serves as the agent of the Conference in managing the church loan program of the Committee on New Church Development. For this service, the Foundation receives 2/10ths of 1.0% of loan balances annually which amounted to approximately \$17,143 and \$21,192 in 2010 and 2009, respectively, and has been included in Conference service and administration expense in the accompanying statement of activities. As of December 31, 2010 and 2009, notes and mortgage notes receivable were \$8,727,461 and \$8,679,986, respectively, which have been loaned to individual churches and are serviced by the Foundation.

The Foundation manages investments on behalf of the Conference. The Conference paid the Foundation \$207,255 and \$192,809 for the years ending December 31, 2010 and 2009, respectively, to manage Conference investments held by the Foundation. The Foundation pays the Conference for Health Insurance and Property and Casualty Insurance. The Foundation paid the Conference \$144,063 and \$140,762 for Health Insurance for 2010 and 2009. The Foundation paid the Conference \$8,278 and \$8,866 for property and casualty insurance for 2010 and 2009.

On June 17, 2010 the Foundation began to occupy two units in the new Methodist Conference Center totaling 5,815 square feet or 27.5% of the building. On December 3, 2010 the Conference sold the two units in the new Methodist Conference Center to the Foundation for \$1,750,000. The Foundation did not pay rent for the right to occupy the two units from June 17, 2010 to December 2, 2010. The Conference has calculated the fair value of rent from June 17, 2010 to December 2, 2010 to be \$37,313. This amount is recorded as rental income and as donated services under Conference Services and Administration in the Statement of Activities. The Foundation donated \$69,011 in furniture and equipment to the Conference for the benefit of the new Conference Center. This amount is recorded as donated income under Conference Services and Administration in the Statement of Activities and in Property and Equipment, net in the Statements of Financial Position.

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Florida Southern College ("FSC") was founded in 1883. FSC is a liberal arts college with more than fifty academic and pre-professional programs located in Lakeland, Florida. The thirty-seven persons serving on the Board of Trustees of FSC are elected by the Florida Annual Conference of the United Methodist Church in accordance with the FSC by-laws.

The Conference provides financial support to FSC through its apportionment giving budget. FSC received from the Conference Board of Higher Education and Campus Ministry \$209,592 in 2010 and \$209,500 in 2009. In addition, the Conference advanced \$700,000 to FSC in 2009 to help fund the construction of the McKay Archives Center. FSC has agreed to repay the \$700,000 by July 1, 2012. The total owed by FSC to the Conference at December 31, 2010 and 2009 was \$323,550 and \$541,500 respectively.

To comply with GAAP, the Conference would need to consolidate the balances and activities of FSC into its financial statements. The Conference has elected not to consolidate FSC's balances and activities into its financial statements. If FSC had been consolidated, assets would be increased by \$155,943,246 and \$145,756,366 liabilities would be increased by \$35,878,281 and \$33,306,178, and net assets would be increased by \$120,064,965 and \$112,450,188 for the years ended 2010 and 2009.

The Florida United Methodist Children's Home, Inc. (the "Home") was incorporated in 1908 as a not-for-profit corporation. The purpose of the Home is to care for children who otherwise cannot be provided for. The Home is governed by a Board of Trustees which consists of Florida United Methodist Church members or clergy. Nominations for the Board of Trustees come from the current Board and are approved by the Florida Annual Conference of the United Methodist Church in accordance with the Home's by-laws.

The Conference serves as a conduit for donations made by Florida United Methodist churches for the Home. The Conference forwarded \$693,148 in 2010 and \$795,499 in 2009 in donations from churches to the Home. In addition, the Home pays the Conference for health insurance and property and casualty insurance. The Home paid the Conference \$40,034 and \$34,824 for health insurance for 2010 and 2009, respectively. The Home paid the Conference \$198,146 and \$204,816 for property and casualty insurance for 2010 and 2009, respectively.

To comply with GAAP, the Conference would need to consolidate the balances and activities of the Home into its financial statements. The Conference has elected not to consolidate the Home's balances and activities into its financial statements. If they had been consolidated, assets would be increased by \$49,090,773 and \$45,626,759, liabilities would be increased by \$2,658,314 and \$2,536,064, and net assets would be increased by \$46,432,459 and \$43,090,695 for the years ended 2010 and 2009.

Revenue Recognition: The Conference recognizes grants, contracts and contributions of cash or other assets as restricted support if they are received with grantor or donor stipulations that limit the use of the donated assets. A receivable is recognized by the Conference for grants or contracts to be received from the grantor or donor.

The Conference recognizes revenues from exchange transactions when the service is rendered. A receivable is recognized by the Conference for outstanding invoices.

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications: GAAP requires, among other things, that the financial statements report the changes in, and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted and are detailed as follows:

The unrestricted net assets consist of operating funds available for any purpose authorized by the Board of Trustees and the Council on Finance and Administration. The Conference does put certain designations on funds annually which represent unrestricted funds which are used for future shortfalls in budgeted support and revenue for emergency and unanticipated needs of the Conference.

Temporarily restricted net assets consist of funds arising from gifts in which the donor has stipulated, as a condition of the gift, restrictions on how or when the gift may be spent.

Permanently restricted net assets consist of funds arising from a gift or bequest in which the donor has stipulated, as a condition of the gift, that the principal be maintained in perpetuity and only the investment income from investment of the funds be expended. Certain donor endowments also specify that a portion of the earnings from the investment be reinvested as principal, or that all income earned over a period of time be reinvested. Amounts are also transferred for specific uses from time to time, as requested by the donor.

Gifts and Contributions: Gifts and contributions are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset categories.

Net Assets Released from Restrictions: 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.

Fair Value of Financial Instruments: The Conference's financial instruments, which includes cash and cash equivalents, accounts receivable, notes and mortgages receivable, investments, beneficial interests in trust held by others, accounts payable, and notes payable approximate fair value at December 31, 2010 and 2009.

Cash and Cash Equivalents: The Conference considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are stated at fair value, as determined by quoted market prices in the statements of financial position; unrealized gains and losses are included in the statement of activities. Realized gains/losses on disposition are based on net proceeds and the adjusted carrying amounts of the securities sold using the specific identification method.

Concentration of Credit Risk: The Conference maintains cash deposits in several financial institutions, sometimes in excess of the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). Throughout 2009 and the first six months of 2010, the bank where the Conference maintains its operating cash accounts participated in the Transaction Account Guarantee ("TAG") component of the FDIC's Temporary Liquidity Program. TAG guaranteed that unlimited deposits held in transaction accounts earning less than 50 basis points were insured. This program expired on June 30, 2010. Cash balances in excess of \$250,000 will potentially be subject to concentrations of credit risk. Management believes the risk is managed by maintaining all deposits in high quality financial institutions.

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of financial statements in conformity with GAAP 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.

Accounts Receivable: Accounts receivable represents amounts due and what management expects to collect from the churches within the Conference for apportionments, insurance premiums, insurance recoveries and other miscellaneous items. Interest is not normally charged on accounts receivable. Management provides an allowance for doubtful accounts for any amounts considered to be uncollectible. The allowance for doubtful accounts is \$2,097,000 and \$2,249,324 as of December 31, 2010 and 2009, respectively.

Contributions Receivable: The Foundation is managing a capital campaign for the Conference. The Foundation is collecting the contributions receivable as an agent for the Conference. As of December 31, 2010 and 2009 the present value of pledges net of allowance was \$1,467,877 and \$1,894,558, respectively. The rate used to discount pledges is the rate determined to be commensurate with the risk. Management established an allowance for uncollectible pledges in 2010 related to the capital campaign. The allowance for uncollectible pledges is \$280,375 as of December 31, 2010.

Property and Equipment: Property and equipment is stated at cost or, if donated, at the estimated fair value at the date of donation. The Conference follows the practice of capitalizing all expenditures in excess of \$5,000 for property and equipment. Depreciation is provided over the estimated useful lives of respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

Impairment of Long-Lived Assets: On an ongoing basis, the Conference reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Conference recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. As of December 31, 2010 and 2009 management believes that no impairments existed.

Funds Held as Agent: General church apportionments, district apportionments, and other program remittances from individual churches are considered funds held as agent. These remittances are for the benefit of third parties not under the control of the Conference and the use of such funds is also not under the control of the Conference. Consequently, such remittances are not included as revenue in the accompanying financial statements.

Funds received from individual churches for Conference benevolences, Conference service and administration, new church starts, certain pension and benefit programs and the ministry protection program are considered unrestricted net assets. These remittances represent funds whose use is determined internally by the Conference through approval of the annual budget.

Donated Goods and Services: Significant non-cash asset contributions are recorded at fair value when received. A number of volunteers have donated significant time to the Conference's administrative and program services; however, these donated services are not reflected in the accompanying financial statements since the services are not professional in nature and, therefore, do not meet the criteria for recognition as contributed services.

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Notes and Mortgage Notes Receivable: Notes and mortgage notes receivable primarily represent funds advanced to individual churches and missions within the Florida Annual Conference through the Committee on New Church Development and are serviced by the Foundation. The notes are collateralized by a first mortgage on church property and a title policy is required indicating the Conference as the value first lien on the property. The notes bear interest at annual rates ranging from 3.75% to 5%. The maximum loan term is twenty (20) years and the maximum single loan amount is 5% of the amount invested in the new church development loan fund. Interest rates are subject to quarterly review. The notes are reported on the statements of financial position at the outstanding principal balance. Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding. The repayment term and maturity date of loans 60 days or more past due, based on contractual terms, may be extended at the original contract interest rate. Loans balances 60 days or more delinquent at December 31, 2010 and 2009 were \$883,640. Based on past collection expenses and current portfolio evaluations, management considers the loans to be fully collectible and, accordingly, no allowance for loan loss is required.

Also included in notes and mortgage notes receivable are notes with churches to restructure their delinquent Ministry Protection and Health Benefits and Pension receivables. These notes are non-interest bearing and have repayment terms between one and five years. The outstanding balance of these loans total \$342,410 at December 31, 2010 and \$190,069 at December 31, 2009. The Conference has established a reserve for uncollectible notes of \$142,869 as of December 31, 2010 and had no reserve established as of December 31, 2009.

Income Tax: The Conference is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in the accompanying financial statements. The Conference has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualified for deductible contributions as provided in Section 170(b)(1)(A)(vi) of the Internal Revenue code.

The Conference adopted guidance issued by the FASB with respect to accounting for uncertainty in income taxes as of January 1, 2009. The adoption had no effect on the Conference's financial statements. The Conference does not have any tax benefits recorded at December 31, 2010 or 2009, and does not expect that position to significantly change in the next year. The Conference would recognize interest and/or penalties related to income tax matters in income tax expense, if applicable, and there were no amounts accrued for interest and penalties at December 31, 2010 or 2009. The Conference is no longer subject to examination by taxing authorities for years before 2007.

Reclassifications: Certain December 31, 2009 amounts have been reclassified in order for them to comply with the 2010 presentation. These reclassifications had no effect on total net assets or change in net assets.

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 2 - CONTRIBUTIONS RECEIVABLE

The following is the detail of the Conference's contributions receivable balances at December 31, 2010 and December 31, 2009:

	<u>2010</u>	<u>2009</u>
Due in less than one year	\$ 380,275	\$ 285,491
Due in one to five years	909,550	1,045,783
Due in more than five years	<u>600,000</u>	<u>800,000</u>
	1,889,825	2,131,274
Unamortized discount	(141,573)	(236,716)
Allowance for uncollectible contributions	<u>(280,375)</u>	<u>-</u>
 Total contributions receivable, net	 <u>\$ 1,467,877</u>	 <u>\$ 1,894,558</u>

Contributions receivable were discounted using a discount rate of 2.9% at December 31, 2010 and 2009. An allowance for uncollectible contributions was established by management in 2010. The allowance for uncollectible contributions is \$280,375 as of December 31, 2010.

NOTE 3 - INVESTMENTS HELD WITH AFFILIATED ORGANIZATION

The Conference's investments held with the Foundation are carried at quoted fair value prices and consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Investments in Foundation participation accounts	\$ 8,027,389	\$ 12,871,182
Other investments offered through the Foundation	<u>41,589,927</u>	<u>36,928,177</u>
	<u>\$ 49,617,316</u>	<u>\$ 49,799,359</u>

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 3 - INVESTMENTS HELD WITH AFFILIATED ORGANIZATION (Continued)

A summary of return on investments held with the Foundation consists of the following for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest earnings	\$ 1,325,914	\$ 1,487,812
Net realized gain (loss)	792,429	(2,611,470)
Net unrealized gain	2,618,828	8,214,554
Fees	<u>(207,255)</u>	<u>(192,809)</u>
	<u>\$ 4,529,916</u>	<u>\$ 6,898,087</u>

The Conference investments held with the General Board of Pensions are carried at quoted fair value prices and consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Investments in stocks and mutual funds	<u>\$ 272,443</u>	<u>\$ 237,361</u>

A summary of return on investments with the General Board of Pensions consist of the following for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Net unrealized gain (loss)	\$ 23,399	\$ 31,861
Fees	<u>(7,092)</u>	<u>-</u>
	<u>\$ 16,307</u>	<u>\$ 31,861</u>

The various investments in stocks, securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Conference.

NOTE 4 - INVESTMENTS—HELD WITH THIRD PARTY BROKERS AND CERTIFICATES OF DEPOSIT

Included in the Investments- held with third party brokers is a permanently restricted fund that is invested in stocks and mutual funds held by a brokerage firm and which are managed by the trustees of the fund. The purpose of this fund is to provide grants for pastors and their spouses to travel to England for a study retreat. Also included in Investments- held with third party brokers are mutual funds held by brokerage firms and managed by the Ministry Protection Committee and the Conference Board of Pensions and Health. Investments are carried at quoted fair value prices and consist of the following at December 31, 2010 and 2009:

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 4 - INVESTMENTS –HELD WITH THIRD PARTY BROKERS AND CERTIFICATES OF DEPOSIT
 (Continued)

	<u>2010</u>	<u>2009</u>
Stocks and mutual funds -		
Study Retreat	\$ 269,341	\$ 256,865
Institute of Preaching	165,949	-
Stocks and mutual funds -		
Conference Board of		
Pension and Health Benefits	2,849,277	495,442
Stocks and mutual funds -		
Ministry Protection	<u>8,953,031</u>	<u>5,196,386</u>
	<u>\$ 12,237,598</u>	<u>\$ 5,948,693</u>

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

	<u>2010</u>	<u>2009</u>
Certificates of Deposit		
Suntrust	\$ -	\$ 125,972
Centerstate Bank	<u>103,932</u>	<u>102,525</u>
	<u>\$ 103,932</u>	<u>\$ 228,497</u>

A summary of return on Investments held with third party brokers consists of the following for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest earnings	\$ 298,555	\$ 137,840
Net realized gain (loss)	68,722	(150,233)
Net unrealized gain	499,616	453,122
Fees	<u>(41,099)</u>	<u>-</u>
	<u>\$ 825,794</u>	<u>\$ 440,729</u>

(Continued)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Conference's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The FASB issued Accounting Standards Update (ASU) 2009-12 which provides additional guidance on how companies should estimate the fair value of certain alternative investments. The fair value of such investments can now be determined using Net Asset Value (NAV), unless it is probable that the asset will be sold at something other than NAV. In addition, ASU 2009-12 has been interpreted to include other assets that use NAV, such as the beneficial interest in assets or trusts. ASU 2009-12 requires disclosure of certain attributes of all investments within its scope, regardless of whether NAV is used to measure the fair value of these investments and indicates that liquidity of the assets should be an input in determining the level classification.

Investments held with the Foundation and the General Board of Pensions are reported at fair value. The underlying assets of the investments held with the Foundation and the General Board of Pensions may include money market funds, securities and bonds.

The Conference invests in two pooled accounts at the Foundation, the Foundation Balanced Fund and the Foundation Development Fund. The Foundation Balanced Fund is managed by two individual managers, and the fair value of the investment in the Balanced Fund is determined on a monthly basis to be the participants' net asset value (NAV). The managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. For holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values.

The Balanced Fund maintains 50% to 70% of its assets in publicly traded common stock and other equity type instruments (approximately 90% domestic, 10% international), approximately 27.5% of its assets in nonconvertible debt securities and money market instruments and up to 12.5% of its assets in preferred stock. Equities selected for the portfolio consist of quality, dividend paying companies that are listed on one of the major stock exchanges. Fixed income investments consist of U. S. government obligations and corporate bonds rated BBB or better.

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Withdrawals from the Balanced Fund are allowable with prior written notice. Additional restrictions apply relative to the amount requested as follows:

<u>Amount of withdrawal</u>	<u>Advance notice period</u>
100% of fund invested in Balanced Pool:	45 days

The Foundation Development Fund is a common fund that makes low-interest construction and mortgage loans to churches. According to Foundation policy, up to 90 percent of the total Fund can be invested in church mortgages. A reserve fund consisting of \$1.5 million plus approximately ten percent of the Fund is held in the form of cash and cash equivalents in order to provide a level of liquidity to participation account investors. The Foundation invests these funds in such instruments as government-backed money market funds, government securities, federally insured bank certificates of deposit or bank deposits.

Withdrawals from the Development Fund are allowable with prior written notice.

The Conference invests in the Multiple Asset Fund with the General Board of Pensions. This fund is invested in a variety of U.S. and non-U.S. securities. These include stocks, traditional bonds, inflation-linked bonds, real estate investment trusts, securities, commodities, and interests in private equity and private real estate partnerships. There are no restrictions on these funds and they are available for immediate withdrawal with a written request.

Pursuant to U.S. GAAP, management has considered redemption restrictions to assess classification of fair value inputs. As a result, Balanced and Development Fund assets with redemption periods of 90 days or less are considered Level 2 fair value measurements. Balanced and Development Fund assets with redemption periods of greater than 90 days are considered a Level 3 fair value measurement.

Investments held in certificates of deposit are reported at fair value. Investments held with third party brokers include money market funds, certificates of deposit, U.S. Government and U.S. Government agency obligations, corporate bonds, mortgage backed securities, exchange traded funds, mutual funds, and equity securities. Exchange traded funds, mutual funds, and equity securities are readily marketable and values are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). Certificates of deposits are estimated to approximate deposit account balances, at market rates for similar deposits having similar maturity dates with no discounts for credit quality or liquidity where determined to be applicable. As such, these certificates of deposit are classified within Level 2. U.S. Government or agency obligations and corporate bonds are valued by obtaining sales prices on nationally recognized security exchanges (Level 1 inputs). Mortgage backed securities are valued using quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

The fair value of beneficial interest in trusts held by others is based on a valuation model that calculates the present value of estimated distributable income. The valuation model incorporates assumptions that market participants would use in estimating future distributable income. The Conference values its beneficial interest at the discounted present value of estimated future distributions it expects to receive (Level 3 inputs).

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Assets Measured on a Recurring Basis: Assets measured at fair value on a recurring basis at December 31, 2010 and 2009 are as follows:

	Quoted active markets identified assets <u>(Level One)</u>	Prices in significant other observable inputs <u>(Level Two)</u>	Significant unobservable inputs <u>(Level Three)</u>
Investments			
Money market	\$ 1,675,212	\$ -	\$ -
Certificates of deposit and money market	-	103,932	-
U. S. government and agency obligations	1,402,408	-	-
Corporate bonds	2,885,115	-	-
Mortgage-backed securities	-	1,035,273	-
Exchange traded funds	38,800	-	-
Mutual Funds:			
Equity	538,740	-	-
Fixed Income	124,726	-	-
Marketable equity securities:			
Consumer goods and services	1,322,606	-	-
Financial	431,142	-	-
Industrial	751,983	-	-
Technology	364,652	-	-
Energy	1,303,218	-	-
Healthcare	363,723	-	-
Held with Foundation	-	49,617,316	-
Held with General Board of Pensions	-	272,443	-
Beneficial interest in trusts held by others	-	-	1,530,199
	<u>\$ 11,202,325</u>	<u>\$ 51,028,964</u>	<u>\$ 1,530,199</u>

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Quoted active markets identified assets (Level One)	Prices in significant other observable inputs (Level Two)	Significant unobservable inputs (Level Three)
Investments			
Money market	\$ 1,519,277	\$ -	\$ -
Certificates of deposit and money market	-	228,497	-
U. S. government and agency obligations	210,905	-	-
Corporate bonds	1,025,989	-	-
Mortgage-backed securities	-	615,905	-
Exchange traded funds	136,408	-	-
Mutual Funds:			
Equity	122,817	-	-
Fixed Income	130,280	-	-
Marketable equity securities:			
Consumer goods and services	616,400	-	-
Financial	393,206	-	-
Industrial	131,116	-	-
Technology	348,747	-	-
Energy	600,890	-	-
Healthcare	96,754	-	-
Held with Foundation	-	-	49,799,359
Held with General Board of Pensions	-	-	237,361
Beneficial interest in trusts held by others	-	-	1,430,788
	<u>\$ 5,332,789</u>	<u>\$ 844,402</u>	<u>\$ 51,467,508</u>

The table below presents a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2010:

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Held with General Board of Pensions	Held with Foundation	Beneficial Interest in Trusts Held by Others
Balance at beginning of year	\$ 237,361	\$ 49,799,359	\$ 1,430,788
Transfer to level II related to ASU 2009-12	(237,361)	(49,799,359)	
Unrealized gain included in earnings	-	-	-
Change in valuation of beneficial interest			
beneficial interest in trusts held by others	-	-	99,411
Realized gains included in earnings	-	-	-
Earnings	-	-	-
Investment fees	-	-	-
Purchases of investments	-	-	-
Sales or maturities of investments	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,530,199</u>

The table below presents a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2009:

	Held with General Board of Pensions	Held with Foundation	Beneficial Interest in Trusts Held by Others
Balance at beginning of year	\$ 214,242	\$ 43,689,753	\$ 1,231,827
Unrealized gain included in earnings	31,861	8,214,553	-
Change in valuation of beneficial interest			
beneficial interest in trusts held by others	-	-	198,961
Realized losses included in earnings	-	(2,611,470)	-
Earnings	-	1,487,807	-
Investment fees	(7,081)	(192,809)	-
Purchases of investments	2,410,000	9,165,802	-
Sales or maturities of investments	(2,411,661)	(9,954,277)	-
	<u> </u>	<u> </u>	<u> </u>
Balance at end of year	<u>\$ 237,361</u>	<u>\$ 49,799,359</u>	<u>\$ 1,430,788</u>

The "investments held with affiliated organizations" classified as investments with significant unobservable inputs (level three) are classified as level one and level two investments in the Foundation's and General Board's December 31, 2010 and 2009 audited financial statements. All unrealized gains shown in the tables above relate to investments still held by the Conference at December 30, 2010 and 2009, respectively.

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The carrying value of the Conference's financial instruments not remeasured at fair value on a recurring basis approximates their fair value at December 31, 2010 and 2009. Such financial instruments include:

	<u>2010</u>	<u>2009</u>
Financial assets		
Net accounts and contributions receivable	\$ 5,859,598	\$ 6,470,263
Net notes and mortgages notes receivable	9,306,287	9,411,555
Financial liabilities		
Notes payable	1,138,501	1,134,980

NOTE 6 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS HELD WITH OTHERS

The Conference is the beneficiary under various perpetual trusts administered by the Florida United Methodist Foundation. Under the terms of the trusts, the Conference has the irrevocable right to receive income earned on the trusts' assets in perpetuity, but will never receive the assets held in the trust. The underlying assets of the trusts are securities that are actively traded in the market. The Conference's interest in the trusts was valued at December 31, 2010 and 2009, in the amount of \$1,468,247 and \$1,375,190, respectively. The beneficial interests were valued using a 6% discount rate in both 2010 and 2009.

The Conference is also the beneficiary of a Charitable Remainder trust administered by Synovus Trust Company, N.A. Under the terms of the trust, the Conference has the irrevocable right to receive fifty percent of the trust assets upon the death of the life beneficiaries as outlined in the trust documents. The underlying assets of the trust are securities that are actively traded in the market. The Conference's interest in the trust was valued at December 31, 2010 and 2009, in the amount of \$61,952 and \$55,598, respectively. The beneficial interest was valued using a 6% discount rate in both 2010 and 2009.

NOTE 7 - ENDOWMENT COMPOSITION

The Conference's endowment consists of donor-restricted endowment funds including perpetual trusts held by the Conference for others and perpetual trust held by the Conference.

As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment funds by category as of December 31, 2010 consist of the following:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor restricted funds	\$ -	\$ 1,135,112	\$ 1,375,078	\$ 2,510,190

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 7 - ENDOWMENT COMPOSITION (Continued)

Endowment funds by category as of December 31, 2009 consist of the following:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor restricted funds	\$ -	\$ 671,689	\$ 1,025,078	\$ 1,696,767

Changes in endowment net assets for the year ended December 31, 2010 consist of the following:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ -	\$ 671,689	\$ 1,025,078	\$ 1,696,767
Investment return:				
Interest income	-	63,664	-	63,664
Unrealized gains	-	79,115	-	79,115
Realized gains	-	9,150	-	9,150
New gifts	-	481,284	350,000	831,284
Appropriation of assets	-	(169,790)	-	(169,790)
Net assets end of year	<u>\$ -</u>	<u>\$ 1,135,112</u>	<u>\$ 1,375,078</u>	<u>\$ 2,510,190</u>

Changes in endowment net assets for the year ended December 31, 2009 consist of the following:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ (29,049)	\$ 820,142	\$ 1,025,078	\$ 1,816,171
Investment return:				
Interest income	-	29,714	-	29,714
Unrealized gains	29,049	205,398	-	234,447
Realized gains	-	(95,246)	-	(95,246)
New gifts	-	18,698	-	18,698
Appropriation of assets	-	(307,017)	-	(307,017)
Net assets end of year	<u>\$ -</u>	<u>\$ 671,689</u>	<u>\$ 1,025,078</u>	<u>\$ 1,696,767</u>

Interpretation of UMIFA: The State of Florida has adopted the Uniform Management of Institutional Funds Act (UMIFA). The Board of Trustees of the Conference requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary which is a valid interpretation of UMIFA.

As a result of this interpretation, the Conference classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

(Continued)

NOTE 7 - ENDOWMENT COMPOSITION (Continued)

The Conference considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the organization
- 7) The investment policies of the organization.

Return Objectives and Risk Parameters: The Conference has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Conference must hold in perpetuity or for donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results based on blended indices while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives: The purpose of the Endowment Fund is to facilitate donors' desires to make substantial long-term gifts to the Conference and to develop a new and significant source of revenue for the Conference. In so doing, the Endowment Fund will provide a secure, long-term source of funds to: (i) fund special grants; (ii) ensure long-term growth; (iv) enhance our ability to meet changing Conference needs in both the short and long-term.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Conference spends funds generated by permanently restricted endowments in accordance with the restrictions placed upon them by the original donors. Each endowed fund is overseen by an Annual Conference committee that approves any distribution of income generated by the fund and which ensures that the balance of the endowed fund does not decrease below the originally endowed amount.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or Conference policies requires to retain as a fund of perpetual duration. Deficiencies of this nature in excess of related temporarily restricted amounts are reported in unrestricted net assets. There were no donor restricted endowment funds with deficiencies at December 31, 2010 and December 31, 2009.

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 8 - PROPERTY AND EQUIPMENT

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

	<u>2010</u>	<u>2009</u>
Current funds		
Land	\$ 640,129	\$ 640,129
Buildings	7,179,023	2,708,184
Construction in process	19,795	4,015,819
Furniture, fixtures and equipment	<u>1,523,046</u>	<u>611,787</u>
	9,361,993	7,975,919
Less accumulated depreciation	<u>(2,314,408)</u>	<u>(2,135,621)</u>
Total current funds	<u>7,047,585</u>	<u>5,840,298</u>
Preachers' relief funds (retired minister residences):		
Land	27,000	27,000
Buildings	<u>607,844</u>	<u>596,941</u>
	634,844	623,941
Less accumulated depreciation	<u>(239,641)</u>	<u>(223,561)</u>
Total preachers' relief funds	<u>395,203</u>	<u>400,380</u>
Camp funds		
Land	1,773,982	2,147,713
Buildings	10,967,725	11,387,677
Construction in process	206,218	100,867
Furniture, fixtures and equipment	<u>2,102,769</u>	<u>2,167,611</u>
	15,050,694	15,803,868
Less accumulated depreciation	<u>(6,483,450)</u>	<u>(6,266,717)</u>
	8,567,244	9,537,151
Assets held for sale, net	<u>657,748</u>	-
Total camp funds	<u>9,224,992</u>	<u>9,537,151</u>
	<u>\$ 16,667,780</u>	<u>\$ 15,777,829</u>

Depreciation expense was \$842,507 and \$721,580, respectively, for the years ended December 31, 2010 and 2009.

(Continued)

NOTE 8 - PROPERTY AND EQUIPMENT (Continued)

The new Conference Center building was completed and occupied on June 14, 2010. Current funds: buildings increased \$4,397,521 and current funds: furniture, fixtures and equipment increased \$931,754 in 2010 as a result of the new Conference Center being completed.

Lake Asbury Retreat Center ("LARC") was held for sale as of July 1, 2010. The depreciable property and equipment of LARC were not depreciated from July 1 to December 31, 2010 in accordance with generally accepted accounting principles. The net book value of LARC's property and equipment at December 31, 2010 was \$657,748.

NOTE 9 - EMPLOYEE SELF-INSURANCE HEALTH AND BENEFITS PROGRAMS

The Conference has adopted a partially self-funded insurance plan for employee medical, dental and prescription drug insurance. Expenses are recorded as incurred. Insurance policies in force at December 31, 2010 and 2009 limit the Conference claims cost to approximately \$250,000 and the maximum claim liability per covered individual to \$2,000,000. The Conference's portion of the predetermined funding provision is charged to expense each month. Unpaid claims incurred prior to December 31 and filed within three months of year-end are accrued at December 31. This liability is part of accrued expenses on the statement of financial position.

Based upon an annual independent actuarial report which considers the program's loss history and the change in self-insured retention limits for the workers' compensation program, changes to insurance loss reserves have been recorded for the years ended December 31, 2010 and 2009, to provide for projected actuarial claims which fall within the self insured retention limits. As of December 31, 2010 and 2009, the Conference has accrued liabilities for self-insurance for health and benefits of \$719,179 and \$1,103,251, respectively.

Post Retirement Health Insurance Plan: The Conference provides, at its discretion, certain health care benefits for retired clergy and spouses through participation in a self-insured medical program. Retired clergy and spouses pay from \$10 per month per person up to 100% of the actual premium cost per person, depending on retirement date and years of service. The difference between the premiums paid by the retirees and the total cost of the retiree health insurance program is subsidized by the Conference Board of Pension and Health Benefits.

For the years ended December 31, 2010 and 2009, the self-insured portion of the employee health and benefits program had the following activity:

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 9 - EMPLOYEE SELF-INSURANCE HEALTH AND BENEFITS PROGRAMS (Continued)

	<u>2010</u>	<u>2009</u>
Active health		
Health insurance revenue	\$ 11,285,453	\$ 11,054,085
Expenses		
HRIS fee	(91,567)	(57,324)
Insurance fees	(1,234,923)	(1,595,586)
Insurance claims	<u>(10,101,777)</u>	<u>(10,302,512)</u>
Total insurance fees and claims	(11,336,700)	(11,898,098)
Change in claims accrual	387,266	302,623
Bad debt expense	<u>(26,244)</u>	<u>(127,343)</u>
Total expenses	<u>(11,067,245)</u>	<u>(11,780,142)</u>
Active health net income (loss)	<u>\$ 218,208</u>	<u>\$ (726,057)</u>
 Retiree health		
Health insurance revenue	\$ 2,749,942	\$ 2,954,893
Expenses		
HRIS fee	(113,433)	(24,567)
Conference responsible retiree	(2,174,917)	(2,190,686)
Insurance fees	(89,634)	(71,320)
Insurance premiums	(1,542,089)	(1,642,684)
Insurance claims	<u>(268,294)</u>	<u>(463,206)</u>
Total insurance fees and claims	(1,900,017)	(2,177,210)
Change in claims accrual	<u>22,985</u>	<u>99,934</u>
Total expenses	<u>(4,165,382)</u>	<u>(4,292,529)</u>
Retiree health net loss	<u>(1,415,440)</u>	<u>(1,337,636)</u>
Health and benefits net loss	<u>\$ (1,197,232)</u>	<u>\$ (2,063,693)</u>

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 10 - MINISTRY PROTECTION

The Conference has had a ministry protection program for workers' compensation since 1985. For workers' compensation claims, churches pay no deductible. For the years ended December 31, 2010 and 2009, claim costs in excess of \$500,000 and \$500,000, respectively, are covered by excess insurance. The Conference requires funding of workers' compensation insurance based on a predetermined rate multiplied by each entity's prior year payroll cost.

In December 1996, the Conference expanded its ministry protection program to include property and liability insurance. For property claims, churches are required to pay a deductible (as defined) depending on the type of claim reported. If claim costs exceed the church deductible, additional claim costs are paid from the Loss Fund until the self-insured limit is reached. The self-insured retention limits range between \$50,000 and \$1,000,000 depending on the type of claim reported. Claim costs above that limit are paid by excess insurance. The Conference obtains excess insurance coverage through re-insurance agreements arranged with traditional insurance carriers. Conference entities fund the property and liability program by paying premiums based on a number of variables including property values, square footage, and the number of insured vehicles. Properties are insured on a replacement value basis, based upon independent appraisals of properties and reported values.

For the years ended December 31, 2010 and 2009, ministry protection had the following activity:

	<u>2010</u>	<u>2009</u>
Revenue		
Workers' compensation premiums	\$ 1,158,443	\$ 1,348,854
Property and liability premiums	10,979,102	12,273,301
Investment Income	718,776	529,831
Financing and other income	91,214	149,652
Insurance recovery	<u>365,046</u>	<u>167,480</u>
	13,312,581	14,469,118
Expenses		
Premium payments	7,950,991	9,389,990
Claim payments and claim administrative fee	2,812,395	2,395,435
Administrative costs	856,945	468,254
Bad debt expense	<u>310,358</u>	<u>521,852</u>
	<u>11,930,689</u>	<u>12,775,531</u>
Increase in net assets available for loss reserve	<u>\$ 1,381,892</u>	<u>\$ 1,693,587</u>

Based upon an annual independent actuarial report which considers the program's loss history and the change in self-insured retention limits for the workers' compensation program, changes to insurance loss reserves have been recorded for the years ended December 31, 2010 and 2009, to provide for projected actuarial claims which fall within the self insured retention limits.

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 10 - MINISTRY PROTECTION (Continued)

As of December 31, 2010 and 2009, the Conference has accrued liabilities for workers' compensation and property and liability loss reserves of \$5,204,200 and \$5,936,700, respectively. In addition to the accrued liability for loss reserves, the Conference has Board designated net assets in the amounts of \$7,125,958 and \$5,744,066, respectively, at December 31, 2010 and 2009 for their ministry protection program.

The Conference has a \$100,000 letter of credit for the ministry protection program for workers' compensation. The letter of credit is required by and lists the Florida Self-Insurers Guaranty Association, Inc. as the beneficiary.

NOTE 11 - NOTES PAYABLE

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

	<u>2010</u>	<u>2009</u>
Loan agreement for the purchase of properties adjacent to the Warren W. Willis Camp. Monthly payments are \$5,068. The interest accrues at an annual rate of 4.25%. The loan matures on December 1, 2028 and is secured by the mortgaged property.	\$ 676,496	\$ 708,155
Loan agreement for the purchase of property adjacent to the Life Enrichment Center. Monthly payments are \$3,185. The interest accrues at an annual rate of 4.25%. The loan matures on December 1, 2028 and is secured by the mortgaged property.	406,270	426,825
Loan agreement for the purchase of parsonage at the Wesley Foundation at Florida State University. Monthly payments are \$413. The interest accrues at an annual rate of 4.25%. The loan matures on April 1, 2029 and is secured by the mortgaged property.	<u>55,735</u>	<u>-</u>
	<u>\$ 1,138,501</u>	<u>\$ 1,134,980</u>

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 11 - NOTES PAYABLE (Continued)

The debt principal payments are as follows at December 31, 2010:

2011	\$ 56,696
2012	59,153
2013	61,717
2014	64,392
2015	67,183
Thereafter	<u>829,360</u>
	<u>\$ 1,138,501</u>

NOTE 12 – PENSIONS AND OTHER POST RETIREMENT BENEFITS

Clergy Retirement Security Program: The Conference participates in the Clergy Retirement Security Program (CRSP), which is a multiemployer plan administered by the General Board of Pensions and Health Benefits ("General Board"). CRSP is a retirement program providing lifetime income for substantially all clergy and lay pastors. The CRSP has two components. First, there is a defined benefit component that requires contributions to be made by the Conference based on either denominational average compensation or actual compensation. Second, there is a defined contribution component that requires contributions to be made by the Conference based on at least 3% of eligible compensation for eligible participants. The CRSP is a program for clergy and is a result of an amendment and restatement of the Ministerial Pension Plan (MPP). As of December 31, 2010 and 2009, the CRSP program consists of three different time periods based on periods of service:

- CRSP for service beginning January 1, 2007
- MPP for service from January 1, 1982 to December 31, 2006
- Supplement One to the Clergy Retirement Security Program for service prior to 1982 (Pre-82 Plan)

The contributions to the CRSP plan of \$3,970,183 and \$3,844,583, respectively, were paid from the overfunded portion of the Conference of Pre-82 Plans for the years ended December 31, 2010 and 2009. These amounts are reflected as income in "Other contributions and grants" and as an expense in "Other benevolences and grant expenditures" in the Statement of Activities.

Comprehensive Protection Plan: The Conference also participates in the Comprehensive Protection Plan (CPP) which is administered by the General Board and provides disability and death benefits for clergy members. The cost of CPP is collected from the local churches and remitted to the General Board. The General Board has given the Conferences a three year holiday from making CPP payments due to the overfunded status of CPP. The Conference continues to bill the churches for CPP. The excess or deficit of amounts collected from the local churches less the amount due to the General Board is recognized as a revenue or expense by the Conference. Excess collections are used to fund other benefit plans or related costs. The revenue recognized for the Conference in 2010 was \$1,170,792.

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 12 - PENSIONS AND OTHER POST RETIREMENT BENEFITS (Continued)

United Methodist Personal Investment Plan (UMPIP): The Conference contributes 12% of an eligible employee's compensation to a personal UMPIP account each month. Employees are also able to make personal contributions to their UMPIP account each pay period. All funds contributed are placed in a tax-sheltered annuity (403b) plan administered by the General Board of Pension and Health Benefits. In 2010 and 2009, the Conference contributed \$386,809 and \$331,345, respectively, to the UMPIP.

Other Post Employment Benefit (OPEB): The Conference provides, at its discretion, certain health care benefits for retired clergy and spouses through participation in a self-insured medical program administered by the Conference. This benefit is funded through contributions made by the Conference from investments set aside by the Conference and held at the Florida United Methodist Foundation.

GAAP requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in the funded status in the change in net assets in the year in which the changes occur. Defined benefit plan assets and obligations are to be measured as of the date of the employer's fiscal year-end.

The following table sets forth the Conference's accumulated other postretirement benefit obligation and the funded status of the obligation as set forth in the Conference's statement of financial position at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 44,836,835	\$ 42,263,538
Service cost	1,456,577	1,355,358
Interest cost	2,721,153	2,588,822
Actuarial (gain) loss	9,251,955	620,848
Net cash flows	(2,092,815)	(1,991,731)
Plan amendments	-	-
	<u>56,173,705</u>	<u>44,836,835</u>
Benefit obligation at end of year	<u>\$ 56,173,705</u>	<u>\$ 44,836,835</u>
Amount recorded in statement of position		
OPEB liability	<u>\$ 56,173,705</u>	<u>\$ 44,836,835</u>
Amount recorded in statement of activity		
Other benevolences and grant expenditures	\$ 6,089,640	\$ 5,957,174
Other postretirement changes other than net periodic cost	<u>5,247,230</u>	<u>(3,383,877)</u>
Net change in OPEB liability	<u>\$ 11,336,870</u>	<u>\$ 2,573,297</u>

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 12 - PENSIONS AND OTHER POST RETIREMENT BENEFITS (Continued)

Items that have not yet been classified as periodic benefit costs	<u>2010</u>	<u>2009</u>
Unrecognized prior service cost	\$ 26,100,334	\$ 30,105,059
Unrecognized net (gain) loss	\$ 5,734,700	\$ (3,517,255)

Estimated net future benefit payments:

2011	\$ 2,048,886
2012	2,095,929
2013	2,184,346
2014	2,334,880
2015	2,421,050
Years 2016-2020	14,199,331

Current period costs including expenditures and net cash flows totaling \$8,182,455 and \$7,948,905, respectively, are included in other benevolences and grant expenditures for the years ended December 31, 2010 and 2009. Employer contributions and benefits paid were \$1,894,555 and \$1,684,785, respectively, during 2010 and 2009.

Assumptions used:

	<u>2010</u>	<u>2009</u>
Discount rate	5.65%	6.20%
Coverage rate	100.00%	100.00%
Health care cost trend rate	8.50%	9.50%
Rate to which the cost trend rate is assumed to decline	5.50%	5.50%
Year that the rate reaches the ultimate trend rate	2017	2014

This table illustrates the sensitivity of the postretirement liability to a change in the medical trend assumptions.

	1% Point <u>Increase</u>	1% Point <u>Decrease</u>
Effect on total of service and interest cost components	\$ 1,111,628	\$ (852,244)
Effect on postretirement benefit obligation	\$ 10,062,349	\$ (7,891,945)

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following uses as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Contributions restricted by donor		
for specific purposes	\$ 2,603,516	\$ 2,252,138
Episcopal funds	16,250	42,284
Preachers' relief funds	806,499	852,999
Church loan funds	15,249,619	14,359,001
Camp funds	<u>1,916,455</u>	<u>1,873,029</u>
	<u>\$ 20,592,339</u>	<u>\$ 19,379,451</u>

NOTE 14 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are amounts in which the principal is invested in perpetuity and the income is expendable for various programs (church loans, scholarships, etc.). Permanently restricted net assets were \$2,843,325 and \$2,400,268 at December 31, 2010 and 2009.

NOTE 15 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose during 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Current operating funds	\$ 1,326,499	\$ 854,021
Church loan funds	715,377	377,148
Episcopal funds	89,241	110,148
Preachers' relief funds	236,567	202,695
Camp funds	<u>86,318</u>	<u>57,490</u>
	<u>\$ 2,454,002</u>	<u>\$ 1,601,502</u>

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 16 - RENTAL INCOME

The Conference has entered into a lease agreement with the Georgia Florida United Methodist Credit Union beginning September 1, 2010 through August 31, 2015. The Credit Union has two five year extension options for \$1,650 and \$1,800 per month, respectively. The cost of utilities and maintenance are paid by the Conference. Total minimum rentals to be collected under the operating lease with non-cancellable lease terms as of December 31, 2010 over future years are:

2011		\$	18,000
2012			18,000
2013			18,000
2014			18,000
2015			12,000
Thereafter			-
			-
		\$	84,000

NOTE 17 - PENDING LITIGATION

The Conference is not aware of any litigation matters in which the Conference needs to reserve for its potential liability. The Conference's maximum exposure on any single claim is \$250,000 to \$1,000,000 which would be paid by the loss fund established by the Ministry Protection Committee depending on the type of claim.

NOTE 18 - FUNCTIONAL EXPENSES

Expenses of the Conference by function for the years ended December 31, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Program services	\$ 47,892,088	\$ 48,563,482
Management and general	1,785,748	2,026,637
	\$ 49,677,836	\$ 50,590,119

Directly identifiable expenses are charged to program services. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Conference.

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 19 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to December 31, 2010, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended December 31, 2010. Management has performed their analysis through May 25, 2011, the date the financial statements were available to be issued.

The Conference sold the Lake Asbury Retreat Center to TeamEffort, Inc. on April 4, 2011 for the purchase price of \$775,000. After closing costs, the Conference had a gain of approximately \$111,000 on the sale. The Conference received a \$30,000 down payment from TeamEffort and entered into a non-interest bearing note agreement with TeamEffort for the remaining balance. The note calls for monthly payments of \$10,000 beginning July 1, 2011 through May 1, 2017 with a balloon payment of \$35,000 due on June 1, 2017.

SUPPLEMENTAL INFORMATION

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 COMBINING SCHEDULE OF FINANCIAL POSITION - ALL FUNDS
 December 31, 2010

	Current Funds	Church Loan Funds	Preachers' Relief Funds	Conference Committee on Pension and Health Funds	Episcopal Funds	Ministry Protection Funds	Camp Funds	Total
ASSETS								
Cash and cash equivalents	\$ 292,267	\$ -	\$ -	\$ 1,225,861	\$ -	\$ 576,145	\$ 318,612	\$ 2,412,885
Accounts receivable	2,407,081	-	-	820,431	-	3,215,100	46,109	6,488,721
Less allowance for doubtful accounts	-	-	-	(255,000)	-	(1,842,000)	-	(2,097,000)
Contributions receivable, net	9,079	-	-	-	-	-	1,458,798	1,467,877
Notes and mortgage notes receivable	379,285	8,727,461	-	61,882	-	280,528	-	9,449,156
Less allowance for doubtful notes	-	-	-	-	-	(142,869)	-	(142,869)
Investments								
Held with affiliated organizations	2,399,142	7,096,847	873,867	37,362,805	23,121	1,219,723	914,254	49,889,759
Trusts held by others	1,530,199	-	-	-	-	-	-	1,530,199
Other	435,290	-	-	2,849,277	-	8,953,031	-	12,237,598
Certificates of deposit	-	-	-	-	-	103,932	-	103,932
Intercompany fund balances	341,134	34,244	(344,846)	(77,430)	(6,871)	(2,689)	56,458	-
Property and equipment, net	7,047,585	-	395,203	-	-	-	9,224,992	16,667,780
Other assets	19,091	-	-	-	-	-	25,233	44,324
	<u>\$ 14,860,153</u>	<u>\$ 15,858,552</u>	<u>\$ 924,224</u>	<u>\$ 41,987,826</u>	<u>\$ 16,250</u>	<u>\$ 12,360,901</u>	<u>\$ 12,044,456</u>	<u>\$ 98,052,362</u>

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 COMBINING SCHEDULE OF FINANCIAL POSITION - ALL FUNDS
 December 31, 2010

	Current Funds	Church Loan Funds	Preachers' Relief Funds	Conference Committee on Pension and Health Funds	Episcopal Funds	Ministry Protection Funds	Camp Funds	Total
LIABILITIES AND NET ASSETS								
Accounts payable and accrued expenses	\$ 366,825	\$ -	\$ -	\$ 172,354	\$ -	\$ 30,743	\$ 347,670	\$ 917,592
Accrued loss reserves	-	-	-	719,179	-	5,204,200	-	5,923,379
Loan payable	55,735	-	-	-	-	-	1,082,766	1,138,501
OPEB liability	-	-	-	56,173,705	-	-	-	56,173,705
Funds held as agent	1,931,771	-	-	-	-	-	-	1,931,771
Total liabilities	<u>2,354,331</u>	-	-	57,065,238	-	5,234,943	1,430,436	66,084,948
Net assets								
Unrestricted:								
Undesignated	7,785,639	-	-	-	-	-	8,697,565	16,483,204
Board designated:								
Ministry protection	-	-	-	-	-	7,125,958	-	7,125,958
Pension and health benefits	-	-	-	(15,077,412)	-	-	-	(15,077,412)
Total unrestricted net assets	<u>7,785,639</u>	-	-	<u>(15,077,412)</u>	-	7,125,958	8,697,565	8,531,750
Temporarily restricted	2,603,516	15,249,619	806,499	-	16,250	-	1,916,455	20,592,339
Permanently restricted	2,116,667	608,933	117,725	-	-	-	-	2,843,325
Total net assets	<u>12,505,822</u>	<u>15,858,552</u>	<u>924,224</u>	<u>(15,077,412)</u>	<u>16,250</u>	<u>7,125,958</u>	<u>10,614,020</u>	<u>31,967,414</u>
Total liabilities and net assets	<u>\$ 14,860,153</u>	<u>\$ 15,858,552</u>	<u>\$ 924,224</u>	<u>\$ 41,987,826</u>	<u>\$ 16,250</u>	<u>\$ 12,360,901</u>	<u>\$ 12,044,456</u>	<u>\$ 98,052,362</u>

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 COMBINING SCHEDULE OF FINANCIAL POSITION - ALL FUNDS
 Year ended December 31, 2009

	Current Funds	Church Loan Funds	Preachers' Relief Funds	Conference Committee on Pension and Health Funds	Episcopal Funds	Ministry Protection Funds	Camp Funds	Total
ASSETS								
Cash and cash equivalents	\$ 619,771	\$ -	\$ -	\$ 742,523	\$ -	\$ 63,028	\$ 190,030	\$ 1,615,352
Accounts receivable	2,435,828	-	-	756,083	-	3,607,122	25,996	6,825,029
Less allowance for doubtful accounts	-	-	-	(249,324)	-	(2,000,000)	-	(2,249,324)
Contributions receivable	305,507						1,589,051	1,894,558
Notes and mortgage notes receivable	541,500	8,679,986	-	14,480	-	175,589	-	9,411,555
Investments								
Held with affiliated organizations	3,321,933	6,275,885	896,325	34,428,186	56,521	4,410,627	647,243	50,036,720
Trusts held by others	1,430,788	-	-	-	-	-	-	1,430,788
Other	256,865	-	-	495,441	-	5,196,387	-	5,948,693
Certificates of deposit	125,972	-	-	-	-	102,525	-	228,497
Intercompany fund balances	135,159	12,063	(325,981)	24,194	(14,237)	99,375	69,427	-
Property and equipment, net	5,840,298	-	400,380	-	-	-	9,537,151	15,777,829
Other assets	33,830	-	-	718	-	50,791	31,680	117,019
	<u>\$ 15,047,451</u>	<u>\$ 14,967,934</u>	<u>\$ 970,724</u>	<u>\$ 36,212,301</u>	<u>\$ 42,284</u>	<u>\$ 11,705,444</u>	<u>\$ 12,090,578</u>	<u>\$ 91,036,716</u>

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 COMBINING SCHEDULE OF FINANCIAL POSITION - ALL FUNDS
 Year ended December 31, 2009

	Current Funds	Church Loan Funds	Preachers' Relief Funds	Conference Committee on Pension and Health Funds	Episcopal Funds	Ministry Protection Funds	Camp Funds	Total
LIABILITIES AND NET ASSETS								
Accounts payable and accrued expenses	\$ 739,102	\$ -	\$ -	\$ 222,612	\$ -	\$ 24,678	\$ 335,356	\$ 1,321,748
Accrued loss reserves	-	-	-	1,103,251	-	5,936,700	-	7,039,951
Loan payable	-	-	-	-	-	-	1,134,980	1,134,980
OPEB liability	-	-	-	44,836,835	-	-	-	44,836,835
Funds held as agent	2,252,099	-	-	-	-	-	-	2,252,099
Total liabilities	<u>2,991,201</u>	-	-	46,162,698	-	5,961,378	1,470,336	56,585,613
Net assets								
Unrestricted:								
Undesignated	8,130,502	-	-	-	-	-	8,747,213	16,877,715
Board designated:								
Ministry protection	-	-	-	-	-	5,744,066	-	5,744,066
Pension and health benefits	-	-	-	(9,950,397)	-	-	-	(9,950,397)
Total unrestricted net assets	8,130,502	-	-	(9,950,397)	-	5,744,066	8,747,213	12,671,384
Temporarily restricted	2,252,138	14,359,001	852,999	-	42,284	-	1,873,029	19,379,451
Permanently restricted	1,673,610	608,933	117,725	-	-	-	-	2,400,268
Total net assets	<u>12,056,250</u>	<u>14,967,934</u>	<u>970,724</u>	<u>(9,950,397)</u>	<u>42,284</u>	<u>5,744,066</u>	<u>10,620,242</u>	<u>34,451,103</u>
Total liabilities and net assets	<u>\$ 15,047,451</u>	<u>\$ 14,967,934</u>	<u>\$ 970,724</u>	<u>\$ 36,212,301</u>	<u>\$ 42,284</u>	<u>\$ 11,705,444</u>	<u>\$ 12,090,578</u>	<u>\$ 91,036,716</u>

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 COMBINING SCHEDULE OF ACTIVITIES - ALL FUNDS
 Year ended December 31, 2010

	Conference							Current Funds	Church Loan Funds	Preachers' Relief Funds	Episcopal Funds	Camps Funds	Elimination Entries	Total Temporarily Restricted
	Current Funds	Conference Committee on Pension and Health Funds	Preachers' Relief Funds	Ministry Protection Funds	Camp Funds	Elimination Entries	Total Unrestricted							
Revenue														
Contributions and apportionments														
Conference benevolences, clergy														
support and church development	\$ 6,371,795	\$ 70,866	\$ -	\$ -	\$ 376,869	\$ -	\$ 6,819,530	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Conference service														
and administration	2,520,217	279,018	-	-	-	(405,446)	2,393,789	-	-	-	-	-	-	-
Other contributions and grants	602,917	3,970,183	-	-	324,500	(611,422)	4,286,178	1,517,993	781,696	13,882	62,323	107,592	-	2,483,486
Self insurance program	-	17,622,962	-	12,593,805	-	(3,476,555)	26,740,212	-	-	-	-	-	-	-
Interest income on loans	-	-	-	-	-	-	-	-	329,410	-	-	-	-	329,410
Interest and dividends	65,413	1,013,860	-	296,928	12,019	-	1,388,220	30,726	156,173	24,274	884	10,972	-	223,029
Change in valuation of future interest in trusts	-	-	-	-	-	-	-	6,354	-	-	-	-	-	6,354
Net investment return	36,916	2,846,677	-	421,848	15,754	-	3,321,195	27,393	338,716	49,064	-	11,180	-	426,353
Fees for services	265,975	-	-	-	3,304,544	(260,829)	3,309,690	37,897	-	-	-	-	-	37,897
Other income	39,662	-	-	-	229,921	-	269,583	57,514	-	4,410	-	-	-	61,924
Gain (loss) on sale of fixed asset	(196,967)	-	-	-	-	-	(196,967)	-	-	98,437	-	-	-	98,437
Net assets released from restrictions	2,367,684	-	-	-	86,318	-	2,454,002	(1,326,499)	(715,377)	(236,567)	(89,241)	(86,318)	-	(2,454,002)
Total revenue	12,073,612	25,803,566	-	13,312,581	4,349,925	(4,754,252)	50,785,432	351,378	890,618	(46,500)	(26,034)	43,426	-	1,212,888
Expenses														
Conference benevolences, clergy														
support and church development	5,809,545	-	-	-	441,789	(696,659)	5,554,675	-	-	-	-	-	-	-
Conference service and administration	1,648,294	301,203	-	-	-	(143,248)	1,806,249	-	-	-	-	-	-	-
Other benevolences and														
grant expenditures	2,422,276	6,181,721	-	-	76,516	(3,256,622)	5,423,891	-	-	-	-	-	-	-
Self insurance program	-	19,200,427	-	11,930,689	-	(148,464)	30,982,652	-	-	-	-	-	-	-
Depreciation	366,534	-	-	-	475,973	-	842,507	-	-	-	-	-	-	-
Costs of services and other expenses	2,171,826	-	-	-	3,405,295	(509,259)	5,067,862	-	-	-	-	-	-	-
Total expenses	12,418,475	25,683,351	-	11,930,689	4,399,573	(4,754,252)	49,677,836	-	-	-	-	-	-	-
Change in net assets	(344,863)	120,215	-	1,381,892	(49,648)	-	1,107,596	351,378	890,618	(46,500)	(26,034)	43,426	-	1,212,888
Other post retirement changes other than net														
periodic cost	-	(5,247,230)	-	-	-	-	(5,247,230)	-	-	-	-	-	-	-
Net assets at beginning of year	8,130,502	(9,950,397)	-	5,744,066	8,747,213	-	12,671,384	2,252,138	14,359,001	852,999	42,284	1,873,029	-	19,379,451
Net assets at end of year	<u>\$ 7,785,639</u>	<u>\$ (15,077,412)</u>	<u>\$ -</u>	<u>\$ 7,125,958</u>	<u>\$ 8,697,565</u>	<u>\$ -</u>	<u>\$ 8,531,750</u>	<u>\$ 2,603,516</u>	<u>\$ 15,249,619</u>	<u>\$ 806,499</u>	<u>\$ 16,250</u>	<u>\$ 1,916,455</u>	<u>\$ -</u>	<u>\$ 20,592,339</u>

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 COMBINING SCHEDULE OF ACTIVITIES - ALL FUNDS
 Year ended December 31, 2010

	Church Loan Funds	Current Funds	Preachers' Relief Funds	Elimination Entries	Total Permanently Restricted	Total
Revenue						
Contributions and apportionments						
Conference benevolences, clergy support and church development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,819,530
Conference service and administration	-	-	-	-	-	2,393,789
Other contributions and grants	-	350,000	-	-	350,000	7,119,664
Self insurance program	-	-	-	-	-	26,740,212
Interest income on loans	-	-	-	-	-	329,410
Interest and dividends	-	-	-	-	-	1,611,249
Change in valuation of future interest in trusts	-	93,057	-	-	93,057	99,411
Net investment return	-	-	-	-	-	3,747,548
Fees for services	-	-	-	-	-	3,347,587
Other income	-	-	-	-	-	331,507
Gain (loss) on sale of fixed asset	-	-	-	-	-	(98,530)
Net assets released from restrictions	-	-	-	-	-	-
Total revenue	-	443,057	-	-	443,057	52,441,377
Expenses						
Conference benevolences, clergy support and church development	-	-	-	-	-	5,554,675
Conference service and administration	-	-	-	-	-	1,806,249
Other benevolences and grant expenditures	-	-	-	-	-	5,423,891
Self insurance program	-	-	-	-	-	30,982,652
Depreciation	-	-	-	-	-	842,507
Costs of services and other expenses	-	-	-	-	-	5,067,862
Total expenses	-	-	-	-	-	49,677,836
Change in net assets	-	443,057	-	-	443,057	2,763,541
Other post retirement changes other than net periodic cost	-	-	-	-	-	(5,247,230)
Net assets at beginning of year	608,933	1,673,610	117,725	-	2,400,268	34,451,103
Net assets at end of year	\$ 608,933	\$ 2,116,667	\$ 117,725	\$ -	\$ 2,843,325	\$ 31,967,414

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 COMBINING SCHEDULE OF ACTIVITIES - ALL FUNDS
 Year ended December 31, 2009

	Conference						Total	Current	Church					Total
	Committee on	Preachers'	Ministry	Camp	Elimination	Unrestricted			Loan	Preachers'	Episcopal	Camps	Elimination	
	Current	Pension and	Relief	Protection										
	Funds	Health Funds	Funds	Funds	Funds	Entries	Funds	Funds	Funds	Funds	Funds	Funds	Entries	Restricted
Revenue														
Contributions and apportionments														
Conference benevolences, clergy														
support and church development	\$ 5,604,937	\$ 78,428	\$ -	\$ -	\$ 529,650	\$ (174,521)	\$ 6,038,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Conference service														
and administration	2,124,714	291,438	-	-	-	-	2,416,152	-	-	-	-	-	-	-
Other contributions and grants	754,111	3,844,583	-	-	177,457	(487,528)	4,288,623	437,175	191,969	11,663	82,034	206,562	-	929,403
Self insurance program	-	16,531,890	-	13,939,287	-	(3,744,062)	26,727,115	-	-	-	-	-	-	-
Interest income on loans	-	-	-	-	-	-	-	-	406,859	-	-	-	-	406,859
Interest and dividends	10,1506	1,000,683	-	273,932	10,574	-	1,386,695	24,375	161,091	31,170	1,806	7,976	-	226,418
Change in valuation of future interest in trusts	-	-	-	-	-	-	-	1,975	-	-	-	-	-	1,975
Net investment return	50,345	4,664,999	-	255,899	48,038	-	5,019,281	36,914	573,064	75,641	-	17,882	-	703,501
Fees for services	327,994	-	-	-	3,340,155	(447,338)	3,220,811	45,367	-	-	-	-	-	45,367
Other income	116,666	-	-	-	640,511	-	757,177	220,109	-	3,772	-	-	-	223,881
Gain on sale of fixed asset	3,083,010	-	-	-	(4,286)	-	3,078,724	-	-	-	-	-	-	-
Net assets released from restrictions	1,544,012	-	-	-	57,490	-	1,601,502	(854,021)	(377,148)	(202,695)	(110,148)	(57,490)	-	(1,601,502)
Total revenue	13,707,295	26,412,021	-	14,469,118	4,799,589	(4,853,449)	54,534,574	(88,106)	955,835	(80,449)	(26,308)	174,930	-	935,902
Expenses														
Conference benevolences, clergy														
support and church development	6,049,733	-	-	-	538,466	(882,908)	5,705,291	-	-	-	-	-	-	-
Conference service and administration	1,753,083	273,091	-	-	-	(87,274)	1,938,900	-	-	-	-	-	-	-
Other benevolences and														
grant expenditures	3,497,089	6,082,595	-	-	57,490	(1,061,851)	8,575,323	-	-	-	-	-	-	-
Self insurance program	-	19,871,985	-	12,775,531	-	(2,236,590)	30,410,926	-	-	-	-	-	-	-
Depreciation	248,763	-	-	-	472,817	-	721,580	-	-	-	-	-	-	-
Costs of services and other expenses	451,327	-	-	-	3,371,598	(584,826)	3,238,099	-	-	-	-	-	-	-
Total expenses	11,999,995	26,227,671	-	12,775,531	4,440,371	(4,853,449)	50,590,119	-	-	-	-	-	-	-
Change in net assets	1,707,300	184,350	-	1,693,587	359,218	-	3,944,455	(88,106)	955,835	(80,449)	(26,308)	174,930	-	935,902
Other post retirement changes other than net periodic cost	-	3,383,877	-	-	-	-	3,383,877	-	-	-	-	-	-	-
Net assets at beginning of year, as restated	6,423,202	(13,518,624)	-	4,050,479	8,387,995	-	5,343,052	2,340,244	13,403,166	933,448	68,592	1,698,099	-	18,443,549
Net assets at end of year	\$ 8,130,502	\$ (9,950,397)	\$ -	\$ 5,744,066	\$ 8,747,213	\$ -	\$ 12,671,384	\$ 2,252,138	\$ 14,359,001	\$ 852,999	\$ 42,284	\$ 1,873,029	\$ -	\$ 19,379,451

(Continued)

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
 COMBINING SCHEDULE OF ACTIVITIES - ALL FUNDS
 Year ended December 31, 2009

	Church Loan Funds	Current Funds	Preachers' Relief Funds	Elimination Entries	Total Permanently Restricted	Total
Revenue						
Contributions and apportionments						
Conference benevolences, clergy support and church development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,038,494
Conference service and administration	-	-	-	-	-	2,416,152
Other contributions and grants	-	-	-	-	-	5,218,026
Self insurance program	-	-	-	-	-	26,727,115
Interest income on loans	-	-	-	-	-	406,859
Interest and dividends	-	-	-	-	-	1,613,113
Change in valuation of future interest in trusts	-	196,986	-	-	196,986	198,961
Net investment return	-	-	-	-	-	5,722,782
Fees for services	-	-	-	-	-	3,266,178
Other income	-	-	-	-	-	981,058
Gain on sale of fixed asset	-	-	-	-	-	3,078,724
Net assets released from restrictions	-	-	-	-	-	-
Total revenue	-	196,986	-	-	196,986	55,667,462
Expenses						
Conference benevolences, clergy support and church development	-	-	-	-	-	5,705,291
Conference service and administration	-	-	-	-	-	1,938,900
Other benevolences and grant expenditures	-	-	-	-	-	8,575,323
Self insurance program	-	-	-	-	-	30,410,926
Depreciation	-	-	-	-	-	721,580
Costs of services and other expenses	-	-	-	-	-	3,238,099
Total expenses	-	-	-	-	-	50,590,119
Change in net assets	-	196,986	-	-	196,986	5,077,343
Other post retirement changes other than net periodic cost	-	-	-	-	-	3,383,877
Net assets at beginning of year, as restated	608,933	1,476,624	117,725	-	2,203,282	25,989,883
Net assets at end of year	<u>\$ 608,933</u>	<u>\$ 1,673,610</u>	<u>\$ 117,725</u>	<u>\$ -</u>	<u>\$ 2,400,268</u>	<u>\$ 34,451,103</u>

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
SCHEDULES OF ASSETS, LIABILITIES AND NET ASSETS
AREA EPISCOPAL OFFICE FUND
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Investments held with affiliated organization	\$ 23,121	\$ 56,521
Intercompany fund balance	<u>(6,871)</u>	<u>(14,237)</u>
	<u>\$ 16,250</u>	<u>\$ 42,284</u>
 NET ASSETS		
Net assets		
Unrestricted	<u>\$ 16,250</u>	<u>\$ 42,284</u>
	<u>\$ 16,250</u>	<u>\$ 42,284</u>

THE FLORIDA ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH
SCHEDULES OF REVENUES COLLECTED AND EXPENSES PAID
AREA EPISCOPAL OFFICE FUND
Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenue collected from		
General council on finance and administration	\$ 74,800	\$ 73,600
Episcopal office reserve - investment income	1,016	1,510
Sustentation Fund Income	-	8,730
Miscellaneous reimbursements	-	-
Total revenues collected	75,816	83,840
Expenses paid		
Program		
Secretarial salaries	47,843	48,020
Discretionary disbursements	29,457	1,250
Entertainment	1,072	2,089
Employee benefits and payroll taxes	10,141	10,204
Telephone	2,288	2,754
Staff travel	86	1,434
Rent, utilities and insurance	6,150	3,300
Equipment maintenance	999	38
Printing and copying	2,490	2,733
Office supplies	560	142
Postage	175	189
Miscellaneous	89	10
Staff continuing education	500	590
Funds reclassified	-	37,395
Total expenses paid	101,850	110,148
Deficit of revenue collected over expenses paid	(26,034)	(26,308)
Net assets at beginning of year	42,284	68,592
Net assets at end of year	\$ 16,250	\$ 42,284