

APPENDIX THREE

Financial Statements

of the

Memphis Conference of The United Methodist Church Treasurer's Office

Year Ended December 31, 2007

Independent Auditor's Report

*Statements of Assets, Liabilities and Fund Balances
Excluding Property and Related Long-Term Debt -
Modified Cash Basis*

*Statement of Revenues, Expenditures and Changes
in Fund Balances - Modified Cash Basis*

Notes to Financial Statements



INDEPENDENT AUDITOR'S REPORT

To the Council on Finance and Administration
Memphis Conference – The United Methodist Church

We have audited the accompanying statement of assets, liabilities and fund balances excluding property and related long term debt – modified cash basis of the Memphis Conference – The United Methodist Church Treasurer's Office as of December 31, 2007, and the related statement of revenue, expenditures and changes in fund balances – modified cash basis for the year 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 audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

It is the Conference's policy to present its financial statements in conformity with the policies described in Note 1. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

As also described in Note 1, the financial statements exclude property and related long-term debt.

In our opinion, except for the effect on the statements of the matter referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of The United Methodist Church Treasurer's Office as of December 31, 2007 and its revenue and expenses for the year then ended, on the basis of accounting described in Note 1.

Horne LLP

Jackson, Tennessee
April 1, 2008

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MEMPHIS CONFERENCE - THE UNITED METHODIST CHURCH TREASURER'S OFFICE
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
 For the Year Ended December 31, 2007

	Unaudited 2007 Budget	Balance 1/1/2007	Appropriation Revenues	Non - Appropriated Revenues	Expenditures	Revenues Over (under) Expenditures	Transfers (to) from Conference Reserve	Balance 12/31/2007
CONFERENCE APPORTIONMENTS								
World Service & Conference Benevolences:								
World Service	948,771	-	775,005	52	(775,057)	-	-	-
Council on Ministries:								
Staffing & Resourcing	469,416	-	375,728	-	(362,530)	13,178	(13,178)	-
Program Area	77,300	-	61,872	3,134	(56,388)	8,618	(8,618)	-
Admin. & Leader Development	27,000	-	21,611	-	(22,955)	1,344	(1,344)	-
Committee on Conference News	53,750	-	43,032	31,141	(74,164)	(1)	1	-
Program Grants (1)	45,475	-	37,500	8,453	(31,060)	12,893	(12,893)	-
Program Grants (2 & 3)	65,525	-	48,945	-	(53,825)	(6,880)	6,880	-
Onreach Ministries	221,675	-	177,432	-	(203,899)	(26,467)	26,467	-
District Cooperative Ministries	25,000	-	20,010	-	(12,000)	8,010	(8,010)	-
Total World Serv. & C.B.	982,141	-	786,120	42,728	(820,841)	8,007	(8,007)	-
Lakeview	233,500	-	194,588	13	(194,601)	-	-	-
Connecional Ministerial Support								
District Superintendents	715,093	-	595,579	-	(665,224)	(69,945)	69,945	-
Episcopal Fund	243,948	-	203,177	10	(203,187)	-	-	-
Episcopal Residence	5,000	-	4,164	1	(4,165)	-	-	-
Equitable Compensation	350,000	-	291,504	-	(258,384)	33,120	(33,120)	-
Misional Salary Support	65,000	-	54,136	-	(54,259)	(393)	393	-
Group Insurance	1,551,142	910,589	1,270,733	2,107,966	(3,154,013)	224,686	-	1,135,275
Delta Dental Insurance	-	(14,508)	-	94,805	(88,655)	6,350	-	(8,158)
Total Connecional Ministerial Support	2,930,183	896,081	2,419,293	2,202,782	(4,428,257)	193,818	37,218	1,127,117
Conference Board of Pensions	1,934,549	-	1,694,581	57,491	(1,752,072)	-	-	-
Administration								
General Church Administration	82,054	-	65,560	5	(65,565)	-	-	-
Jurisdictional Administration	94,338	-	74,185	4	(74,189)	-	-	-
Area Administrative Assistant	57,769	-	48,615	44	(48,659)	-	-	-
Conference Administration								
Bd. of Ordained Ministry	119,610	-	94,705	15,467	(110,172)	-	-	-
Bd. of Trustees	130,000	-	102,931	29,925	(132,857)	(1)	1	-
Council on Finance & Administration	45,000	-	35,630	-	(48,132)	(12,502)	12,502	-
Conference Session	38,220	-	30,262	5,902	(44,353)	(8,189)	8,189	-
Conference Treasurer	239,479	-	189,615	46,000	(280,856)	(45,241)	45,241	-
Conf. Secretary & Journal	33,100	-	26,208	55	(23,213)	3,050	(3,050)	-
Conference Chancellor	4,656	-	3,647	-	(1,200)	2,447	(2,447)	-
Archives & History	7,350	-	5,820	-	(4,778)	1,042	(1,042)	-
Comm. on the Episcopacy	45,400	-	35,947	-	(33,219)	2,728	(2,728)	-

Joint Review Committee	2,600	-	2,059	-	-	2,059	(2,059)	-
Conference Office Center	80,066	-	63,395	6,950	(82,675)	(12,330)	12,330	-
Misconduct Task Force	7,056	-	5,587	-	(3,632)	5,587	(5,587)	-
Gen'l. & Jurisdiction Delegations	5,000	-	3,959	-	(3,632)	327	(327)	-
Total Administration	991,648	-	788,125	104,352	(953,500)	(61,023)	61,023	-
Conference Church Extension	50,400	195,319	40,201	125	(18,892)	21,734	-	217,053
New Church Development	68,600	44,851	54,718	-	(67,500)	(12,782)	-	31,069
New Church Salaries	119,000	240,170	94,919	125	(86,092)	8,952	-	249,122
Total Church Extension	244,860	-	199,903	1	(193,904)	-	-	187,215
Higher Education	81,621	99,361	66,634	82,662	(39,442)	87,854	-	-
Ministerial Education	28,709	-	25,983	8	(23,991)	-	-	-
A. General Ch. portion	130,003	-	104,155	22	(104,177)	-	-	-
B. Memphis Conference portion	400,742	-	310,684	-	(308,352)	2,332	(2,332)	-
Africa University	500,000	-	396,560	-	(396,561)	-	-	-
Black College Fund	1,385,935	99,361	1,093,719	82,694	(1,086,227)	90,186	(2,332)	187,215
Campus Ministry	25,277	-	16,380	-	(16,380)	-	-	-
Lambuth University	9,551,004	1,235,612	7,862,710	2,490,237	(10,113,027)	239,940	87,902	1,563,454
Total Higher Education	452,291	-	404,226	393	(417,358)	(12,739)	-	(12,739)
Interdenominational Cooperation	85,610	-	76,186	102	(76,169)	119	-	119
District Administration funds	27,250	-	23,734	-	(23,734)	-	-	-
District Church Extension	95,000	-	69,311	-	(69,311)	-	-	-
U. S. Neighborhood Centers	28,500	-	27,594	-	(27,594)	-	-	-
U. M. Resources for Ministry	8,000	-	6,926	-	(6,926)	-	-	-
Realfoot Rural Ministries (District report)	28,000	-	23,020	-	(23,020)	-	-	-
Lakeland Wesley Village	28,000	-	-	-	-	-	-	-
Paducah Hispanic Ministries	724,651	-	630,997	495	(644,112)	(12,620)	-	(12,620)
TOTAL DISTRICT APPOINTMENTS	892,353	-	24,351	24,351	(25,000)	(649)	-	891,704
Equitable Compensation Reserve (Carney)	122,743	-	3,725	3,725	-	3,725	-	126,468
B.O.M. Investment Account	357,655	-	16,261	16,261	-	16,261	-	373,916
Church Extension Loan Fund	103,132	-	2,705	2,705	(5,000)	(2,295)	-	37,296
Conference Foundation	958,049	-	335,557	335,557	(24,026)	311,531	-	1,269,580
Robinson Fund (Higher Education)	-	-	49,156	49,156	(4,530)	44,626	-	44,626
Conference Trustee Investments	-	-	5,104	5,104	(4,355)	749	-	749
Prior Year Appointments	-	-	7,351	7,351	(56,158)	930	-	8,281
Prepaid Appointments	-	-	-	-	-	-	-	-
Lenten Hunger Fund	-	-	-	-	-	-	-	-
Youth Service Fund:	-	-	-	-	-	-	-	-
A. General Ch. portion (30%)	-	-	-	283	(283)	-	-	-

MEMPHIS CONFERENCE - THE UNITED METHODIST CHURCH TREASURER'S OFFICE
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
 For the Year Ended December 31, 2007

Unaudited 2007 Budget	Balance 1/1/2007	Appointment Revenues	Non - Appropriated Revenues	Expenditures	Revenues Over (under) Expenditures	Transfers (to) from Conference Reserve	Balance 12/31/2007
B. Conference portion (70%)							
One Great Hour of Sharing	1,056	-	1,088	(3,100)	(2,012)	-	(956)
World Communion	-	-	15,272	(15,272)	-	-	-
United Methodist Student Day	-	-	10,419	(10,419)	-	-	-
Human Relations Day	-	-	2,324	(2,324)	-	-	-
World Order Sunday:	-	-	3,056	(3,056)	-	-	-
A. General Ch. portion (50%)	-	-	796	(796)	-	-	-
B. Conf. portion - P. W. J. (50%)	676	-	746	(6)	746	-	1,422
Christian Education Sunday	6,774	-	150	(6)	144	-	6,918
Golden Cross Sunday	-	-	15,611	(15,611)	-	-	-
Native American Awareness:							
A. General Church portion (50%)	-	-	720	(720)	-	-	-
B. Conference Portion (50%)	128	-	720	-	720	-	848
General Advance Specials	-	-	66,042	(66,042)	-	-	-
World Service Specials	350	-	(350)	(350)	(350)	-	-
Bishop's Apprais	-	-	325	(325)	-	-	-
U.N.I.C.E.F.	-	-	1,079	(1,079)	-	-	-
Vacation Church School	642	-	100	-	100	-	742
Redfoot Rural Ministries (non-appropriated)	-	-	28,843	(28,843)	-	-	-
U. M. Neighborhood Centers (non-appropriated)	-	-	654	(654)	-	-	-
Hispanic Ministries	-	-	57	(57)	-	-	-
Miscellaneous Missions	4,912	-	46,143	(26,827)	19,316	-	24,228
Conference Advance Specials	-	-	434	-	434	-	434
Conference Katrina Relief:							
A. Disaster Relief Trailer (undesignated)	24,402	-	2,305	(4,655)	(2,350)	-	22,052
B. Memphis Conf. Katrina Response	89,406	-	202,363	(195,768)	6,595	-	96,001
Wesley Housing Clergy Staff	-	-	171,250	(188,086)	13,174	(13,174)	-
Bd. Ordained Ministry Investment Earnings	416	-	-	-	-	-	416
Robinson Fund (Higher Educ.) Earnings	1,015	-	5,000	(3,470)	1,530	-	2,545
Urban & Holistic Ministries	-	-	31,378	(31,668)	(290)	-	(290)
Ment Award Scholarships	728	-	299	(2,000)	(1,701)	-	(973)
Memphis Conference Disaster Relief	585	-	-	-	-	-	585
Retirement Planning Seminar	-	-	-	-	-	-	-
Simmons Memorial (Archives)	1,350	-	-	-	-	-	1,350
Children's Ministries Endowment	952	-	-	-	-	-	952
Roy Stephenson Memorial Fund	10,268	-	-	-	-	-	10,268
Murray State Wesley Renovation 2006	(189,677)	-	30,295	(830)	29,465	-	(160,212)
United Methodist Men	4,270	-	9,164	(7,766)	1,398	-	5,668
Conference-Wide Lay Speaking	(327)	-	-	-	-	-	(327)
Forum of Adults in Youth Ministry	2,836	-	-	(516)	(516)	-	2,320
Volunteers in Mission	6,119	-	2,917	(6,472)	(3,555)	-	2,564
Dental Clinics of the World	1,625	-	36,915	(24,447)	12,468	-	14,093
Project 2020	2,970	-	9,164	(8,293)	871	-	3,841
Project 2020 Scholarships	-	-	4,075	-	4,075	-	4,075
U. M. Musicians	200	-	-	-	-	-	200
Hunters for the Hungry	1,513	-	-	-	-	-	1,513

MEMPHIS CONFERENCE
THE UNITED METHODIST CHURCH TREASURER'S OFFICE
Year Ended December 31, 2007

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of Operations

The Memphis Conference Treasurer's Office is the administrative and fiscal office, which oversees the budgeting and expenditures for the broader program and mission concerns of 460 United Methodist Churches in West Tennessee and West Kentucky.

Investments

Investments are carried at cost.

Basis of Accounting

The Memphis Conference policy is to prepare its financial statements on a modified cash basis that includes recording of certain receivables and payables as described below. Under this basis, revenue is generally recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when the related liability is incurred. Consequently, accounts receivable, accounts payable and accrued expenses, other than those mentioned below, are not included in the financial statements.

The accompanying financial statements exclude property and related long-term debt. The modified cash basis of accounting generally would include property, at its cost or market value at the time of gift or acquisition, less an allowance for depreciation, together with its related debt.

All remittances received after December 31, 2007, and through the close of business on January 5, 2008, which were applicable to 2007, have been recorded as receivables at December 31, 2007, and included in revenue for the year then ended. All expenditures paid through January 16, 2008, which were applicable to 2007, have been recorded as liabilities at December 31, 2007, and included in expenses for the year then ended.

Transfers To and From Conference Reserve

Transfers to and from conference reserve represent reclassification of budget excesses and deficiencies for the year ended December 31, 2007.

Note 2. Investments

The carrying value and approximate market value of investments at December 31, 2007 are as follows:

	<u>Cost</u>	<u>Approximate Market</u>
Nashville Area United Foundation	\$ 2,624,618	\$ 3,121,64
Total	<u>\$ 2,624,618</u>	<u>\$ 3,121,64</u>

MEMPHIS CONFERENCE
THE UNITED METHODIST CHURCH TREASURER'S OFFICE
Year Ended December 31, 2007

NOTES TO FINANCIAL STATEMENTS

Note 3. Pension Plans

The Conference participates in two defined benefit pension plans; the Clergy Retirement Security Program ("CRSP") covers service on or after January 1, 2007 and the Supplement One to the Clergy Retirement Security Program ("Pre-1982 Plan") covers substantially all United Methodist clergy for service prior to 1982. Both plans are a multi-employer defined benefit pension plan administered by the General Board of Pensions of The United Methodist Church. A portion of the plans covers the clergy of the Memphis Annual Conference. Contributions are determined annually, within certain guidelines, by the Annual Conference using the RP2000 Mortality Table with a seven percent interest assumption.

The actuarial valuation of the Memphis Annual Conference's portion of the plans as of December 31, 2007 provides the following information:

	CRSP	Pre-1982 Plan
Contributions	\$ 1,289,049	\$ -

The Conference also has a defined contribution plan covering substantially all lay employees. The total expense for this plan for the year ended December 31, 2007 was \$28,646. The Conference contributed nine percent of each covered employee's salary to the plan.

Note 4. Source of Revenue

Revenue to the Conference newspaper includes United Methodist Reporter subscription receipts of \$24,651 and advertising revenue of \$6,490. Group insurance revenue includes billing receipts of \$2,053,774; earnings of \$54,105; and prior year receipts of \$87.

Note 5. Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Conference maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007, the Conference's uninsured cash balances totaled \$2,080,275. The cash balances are classified on the balance sheet as cash, investments or cash held for insurance claims.

The Conference maintains investment balances with the Nashville Area United Foundation, which invests those funds at various brokerage firms. These balances are uninsured. These investments total \$2,624,618 at December 31, 2007.

MEMPHIS CONFERENCE
THE UNITED METHODIST CHURCH TREASURER'S OFFICE
Year Ended December 31, 2007

NOTES TO FINANCIAL STATEMENTS

Note 6. Uncertainty

The Memphis Conference of the United Methodist Church has been named in a lawsuit where the Plaintiff has not specified the amount of the damages. The case is still in very early discovery. The Conference has an insurance policy that provides coverage for this claim. The Conference has some risk for a verdict in excess of its policy limits; however, the extent of that exposure and risk cannot be determined at this time.