

**SOUTHEASTERN JURISDICTION OF THE  
UNITED METHODIST CHURCH AND  
AGENCIES**

Consolidated Financial Statements

December 31, 2012

( with Independent Auditors' Report thereon )

**SOUTHEASTERN JURISDICTION OF  
THE UNITED METHODIST CHURCH AND AGENCIES**

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December 31, 2012

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**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

**- Independent Auditors' Report -**

To the Committee on Finance and Administration of the  
Southeastern Jurisdiction of the United Methodist Church  
Lake Junaluska, North Carolina

**Report on Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of the Southeastern Jurisdiction of the United Methodist Church and Agencies, a non-profit organization, which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Southeastern Jurisdiction of the United Methodist Church and Agencies as of December 31, 2012, and the results of their activities and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary statements of financial position, activities and cash flows without agencies and consolidating statement of financial position and activities are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. The information has been subjected to the auditing procedures in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statement as a whole.

Asheville, North Carolina  
March 28, 2014

*Dixon Hughes Goodman LLP*

**SOUTHEASTERN JURISDICTION OF  
THE UNITED METHODIST CHURCH AND AGENCIES**

Consolidated Statement of Financial Position

December 31, 2012

**Assets**

Cash and cash equivalents	\$ 2,673,125
Investments	5,555,891
Receivables	1,564,271
Property and equipment, net	20,462,945
Other assets	<u>160,436</u>
 Total assets	 <u><u>\$ 30,416,668</u></u>

**Liabilities and Net Assets**

Liabilities:

Accounts payable	\$ 311,779
Advance lodging deposits	395,357
Accrued expenses	324,541
Capital leases payable	48,331
Custodial funds	1,200,886
Notes payable	<u>3,975,429</u>
Total liabilities	<u><u>6,256,323</u></u>

Net assets:

Unrestricted	19,530,384
Temporarily restricted	1,755,534
Permanently restricted	<u>2,874,427</u>
Total net assets	<u><u>24,160,345</u></u>

Total liabilities and net assets	<u><u>\$ 30,416,668</u></u>
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The accompanying notes are an integral part of these consolidated financial statements.

**SOUTHEASTERN JURISDICTION OF  
THE UNITED METHODIST CHURCH AND AGENCIES**

Consolidated Statement of Activities

For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Annual conference apportionment contributions and special asking	\$ 2,210,299	\$ -	\$ -	\$ 2,210,299
Contributions and bequests	1,030,247	141,531	5,340	1,177,118
Program revenue	8,919,767	91,034	-	9,010,801
Investment return, net of distributions and fees	184,059	1,536	(18,636)	166,959
Realized gains on investments	120,122	3,573	121,614	245,309
Unrealized gains on investments	50,506	3,494	82,002	136,002
Gain on disposal of property and equipment	10,076	-	-	10,076
Other—fees, rents and miscellaneous	646,645	3,854	-	650,499
Associates revenue	-	91,662	-	91,662
In-kind rental income	72,600	-	-	72,600
Net assets released from restrictions	648,495	(648,495)	-	-
Total revenues, gains and other support	<u>13,892,816</u>	<u>(311,811)</u>	<u>190,320</u>	<u>13,771,325</u>
Expenses:				
Program services	10,286,241	-	-	10,286,241
General administration	2,477,705	-	-	2,477,705
Fundraising	397,366	-	-	397,366
Interest expense	129,411	-	-	129,411
Total expenses	<u>13,290,723</u>	<u>-</u>	<u>-</u>	<u>13,290,723</u>
Increase (decrease) in net assets	602,093	(311,811)	190,320	480,602
Net assets, beginning of year	<u>18,928,291</u>	<u>2,067,345</u>	<u>2,684,107</u>	<u>23,679,743</u>
Net assets, end of year	<u>\$ 19,530,384</u>	<u>\$ 1,755,534</u>	<u>\$ 2,874,427</u>	<u>\$ 24,160,345</u>

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

**SOUTHEASTERN JURISDICTION OF  
THE UNITED METHODIST CHURCH AND AGENCIES**

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2012

Cash flows from operating activities:	
Changes in net assets	\$ 480,602
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,267,009
Realized and unrealized gains on investments	(381,311)
Gain on sale and disposal of property	(10,076)
Changes in operating assets and liabilities:	
Receivables	(45,386)
Other assets	4,692
Accounts payable	96,053
Refundable deposits	16,439
Accrued expenses	189,616
Custodial funds	58,479
Net cash provided by operations	<u>1,676,117</u>
Cash flows from investing activities:	
Proceeds from sale of investments	931,561
Purchases of investments	79,409
Purchases of property and equipment	(1,482,355)
Proceeds from asset disposals	60,731
Net cash used by investing activities	<u>(410,654)</u>
Cash flows from financing activities:	
Borrowing of long-term debt	1,194,567
Payments on capital leases	(40,290)
Payments on notes payable	(1,680,638)
Net cash used by financing activities	<u>(526,361)</u>
Net increase in cash and cash equivalents	739,102
Cash and cash equivalents:	
Beginning of year	<u>1,934,023</u>
End of year	<u>\$ 2,673,125</u>
Supplemental schedule of cash flow information:	
Cash payment for interest expense	<u>\$ 227,665</u>

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

# SOUTHEASTERN JURISDICTION OF THE UNITED METHODIST CHURCH AND AGENCIES

Notes to Consolidated Financial Statements

December 31, 2012

## 1. Nature of Organization

The Southeastern Jurisdiction of the United Methodist Church and Agencies (the “Organization”) functions as an agent of the United Methodist Church within the Southeastern Jurisdiction of the United States. The Organization receives apportionment contributions remitted by annual conference treasurers and allocates the contributions received to six affiliated agencies and other associated groups and boards. The allocation of funds to these related entities is made based upon a quadrennial jurisdictional conference expense budget. The quadrennial budget also provides the Jurisdiction retain certain funds for administrative and conference expenses.

In its agency role, the Organization supports six affiliated agencies: Lake Junaluska Assembly Inc. (“Lake Junaluska”); the Gulfside Association of the United Methodist Church, Inc. (“Gulfside”); Hinton Rural Life Center, Inc. (“Hinton”); Southeastern Jurisdiction Heritage Center (“Heritage Center”); the Intentional Growth Center (“IGC”) and Southeastern United Methodist Agency for Rehabilitation, Inc. (“SEMAR”). Lake Junaluska's mission is to be a place of Christian hospitality where lives are transformed through renewal of soul, mind, and body. They also provide conference and retreat services for the Southeastern Jurisdiction of the United Methodist Church. The Gulfside Association of the United Methodist Church, Inc. provides retreat and meeting facilities to foster, promote, and develop Christian fellowship, evangelism, and education consistent with the doctrines and discipline of the United Methodist Church. Hinton Rural Life Center, Inc. provides facilities, staff, and other resources to develop leadership, programs, and support for the total mission and ministry of United Methodist churches in rural, town and country, and urban areas, especially those of small membership. The Heritage Center’s mission is to preserve and keep alive the stories of the remarkable persons, places and events that make up the history of the United Methodists in the states that comprise the Southeast Jurisdiction. The IGC serves as a continuing education and renewal center with the mission of transforming leaders for shared, Christ-center ministry. SEMAR seeks to provide a faith-based option for individuals with disabilities.

These six agencies receive a budgeted allocation of apportionments from the Organization that constitutes a substantial economic interest in each of the affiliate agencies (approximately \$1,921,000 for the year ended December 31, 2012). The Organization also has control over the agencies through its ability to appoint board members for each agency.

The Organization financially supports one additional established associated group: United Methodist Volunteers in Mission, Inc. (facilitation of persons serving in jurisdictional missions). This group receives budgeted allocation of apportionments from the Jurisdiction, but their board members are not elected by the Organization.



2. **Significant Accounting Policies**

**Principles of Consolidation** - The consolidated financial statements include the accounts of the Organization and six affiliated agencies: Lake Junaluska Assembly Inc., The Gulfside Association of the United Methodist Church, Inc., Hinton Rural Life Center, Inc. Southeastern Jurisdiction Heritage Center, Intentional Growth Center, and Southeastern United Methodist Agency for Rehabilitation. All significant intercompany items and transactions have been eliminated in consolidation.

**Consolidated Financial Statement Presentation** - The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes of net assets are defined as follows:

*Unrestricted* - Unrestricted funds account for all resources over which the Organization has discretionary control.

*Temporarily Restricted* - Temporarily restricted funds represent resources whose use is limited by donors for the purpose and/or time in which they may be expended. Eventually, temporarily restricted funds are reclassified to unrestricted, as their time and purpose requirements are met. Temporarily restricted resources for which donor-imposed restrictions have been met within the same fiscal year as received are reported as unrestricted contributions.

*Permanently Restricted* - Permanently restricted funds are restricted as to the expendability of principal and may or may not be restricted as to the use of investment return. Investment income earned and gains or losses on sales of investments on endowment and similar funds are accounted for in the unrestricted, temporarily restricted or permanently restricted funds depending upon the respective donor restrictions.

**Investments** - Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Consolidated Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Consolidated Statement of Activities based on net asset class.

**Accounts Receivable** - Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, and other circumstances, which may affect the ability of patrons to meet their obligations.

Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

**Property and Equipment** - Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis for all depreciable assets over the estimated useful lives. Contributed property is recorded at appraised or market value at the date of contribution. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment purchases in excess of \$5,000 are capitalized and depreciated over the following estimated useful lives: land improvements, fifteen years; buildings, forty years; equipment, five years; and vehicles, three years.

**Contributions** - Contributions are recorded when cash or property is received, when payments are made on behalf of the Organization, or when indebtedness is forgiven. Contributed property is recorded at appraised or market value at the date of the contribution. All contributions are considered unrestricted unless specifically restricted by the donor. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction has been fulfilled (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 Consolidated Statement of Activities as net assets released from restrictions.

Pledges are recorded as receivables in the year received, less an allowance for uncollectible amounts. Pledges that are expected to be collected in future years and recorded at their net present value, using discount rates that approximate United States Treasury borrowing rates for the respective periods of these contributions.

**Donated Services** - No amounts have been reflected in the accompanying consolidated financial statements for donated services. The Organization generally pays for services requiring specific expertise; however, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments.

**Cash and Cash Equivalents** - For purposes of the Consolidated Statement of Cash Flows, the Organization considers all cash accounts that are not subject to withdrawal restrictions or penalties, and all highly liquid instruments with an initial maturity of three months or less to be cash equivalents. At times, cash balances may exceed federally insured amounts. The Organization has not experienced any losses on such accounts and management does not believe the Organization is exposed to any significant credit risk on cash and cash equivalents.

**Income Taxes** - The Organization (including the six affiliated agencies) is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the statutes of the State of North Carolina. Accordingly, no provision for income taxes is provided in the consolidated financial statements.

The Organization’s policy is to record a liability for any tax position taken that is beneficial, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2012 and, accordingly, no liability has been accrued. Fiscal years ending on or after 2009 remain subject to examination by federal tax authorities.

**Use of Estimates** - Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Subsequent Events** - Subsequent events have been evaluated through March 28, 2014, which is the date the consolidated financial statements were available to be issued.

3. **Investments and Fair Value Measurement**

Investments as of December 31, 2012 are as follows:

Mutual funds – equities	\$ 1,671,096
Equity securities	1,536,169
Allocated investment	759,883
Corporate bonds	549,016
Real asset funds	342,095
Government bonds	319,266
Mutual funds – bonds	312,098
Certificate of deposit	44,671
Real estate trust	21,597
	<hr/>
	\$ 5,555,891

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent

with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Organization's own data.)

The following table represents the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at December 31, 2012.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds – equities	\$ 1,671,096	\$ -	\$ -
Equity securities	1,536,169	-	-
Allocated investment	-	759,883	-
Corporate bonds	-	549,016	-
Real asset funds	342,095	-	-
Government bonds	-	319,266	-
Mutual funds – bonds	312,098	-	-
Certificate of deposit	44,671	-	-
Real estate trust	-	21,597	-
	<u>\$ 3,906,129</u>	<u>\$ 1,649,762</u>	<u>\$ -</u>

#### 4. Endowments

As of December 31, 2012, the Organization's endowment consists of approximately 54 individual funds established for a variety of purposes. The endowment includes permanent and donor-restricted funds and board designated funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

**Interpretation of Relevant Law** - The North Carolina Uniform Prudent Management of Institutional Funds Act ("NCUPMIFA") 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. As a result of this interpretation, the Organization 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 (c) 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NCUPMIFA. In accordance with NCUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) General economic conditions
- (2) The possible effect of inflation and deflation
- (3) The expected tax consequences, if any, of investment decisions and strategies
- (4) The role that each investment or course of action plays within the overall investment portfolio of the fund
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The needs of Organization and the fund to make distributions and to preserve capital
- (8) An assets special relationship or special value, if any, to the charitable purposes of the Organization

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - The Organization has a policy of appropriating for distribution each year up to 4.5 percent of its endowment fund's average fair value over the prior three years through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment as discussed below.

**Return Objectives and Risk Parameters** - The Organization 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. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of benchmark indices while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

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

Change in the endowment assets for the year ended December 31, 2012 are as follows:

	<b>Unrestricted Board Designated</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets:				
Beginning of year	\$ 2,155,160	\$ 90,880	\$2,684,107	\$4,930,147
Investment return, net of fees	29,363	1,256	28,713	59,332
Net appreciation (realized and unrealized)	166,814	8,781	203,616	379,211
Contributions	13,886	-	5,340	19,226
Appropriation of endowment assets for expenditure	<u>(896,221)</u>	<u>(11,569)</u>	<u>(47,349)</u>	<u>(955,139)</u>
Endowment net assets end of year	<u>\$ 1,469,002</u>	<u>\$ 89,348</u>	<u>\$2,874,427</u>	<u>\$4,432,777</u>

5. **Receivables**

Lake Junaluska has trade receivables arising from certain residential service fees charged to property owners and from lodging and food service operations. These receivables were approximately \$505,000 at December 31, 2012 and are reported net of an allowance for uncollectible accounts in the amount of approximately \$48,000.

Revenues for the Organization are received from annual conference treasurers, and consist of prescribed portions of collections submitted by member churches to the conference treasurers. Accounts receivable are recorded for revenues collected by the conference treasurers in the current period but not received by the Organization until the subsequent period. These receivables were approximately \$467,000 at December 31, 2012. No allowance for doubtful accounts has been recorded based on collection history.

Lake Junaluska has pledges receivable which are scheduled to be received as follows:

Less than one year	\$ 228,562
One to five years	55,481
	<u>284,043</u>
Less allowance for uncollectible accounts	(29,333)
Less discount to net present value (with a 3.0% rate)	<u>(1,697)</u>
Pledges receivable, net	<u>\$ 253,013</u>

6. **Property and Equipment**

Property and equipment consisted of the following at December 31, 2012:

Land and land improvements	\$ 8,520,159
Land developed for sale	543,678
Buildings	35,377,435
Equipment	9,665,166
Vehicles	585,162
Construction in progress	153,720
	<hr/>
	54,845,320
Accumulated depreciation	(34,382,375)
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	\$ 20,462,945
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7. **Accrued Expenses**

Accrued expenses consisted of the following at December 31, 2012:

Salaries payable	\$ 195,656
Fully-insured claims payable	37,592
Other accrued expenses	91,293
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	\$ 324,541
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8. **Notes Payable**

Notes payable consisted of the following at December 31, 2012:

Revolving line of credit note payable to bank in the amount of \$2,500,000, interest payable monthly at the LIBOR market interest rate plus 1.9%, all principal and interest due in May, 2013; collateralized by a brokerage account. (LJA)	\$ 326,060
Revolving line of credit note payable to bank in the amount of \$1,000,000, interest payable monthly at the LIBOR market interest rate plus 2%, all principal and interest due in May, 2013; collateralized by a brokerage account. (LJA)	450,000

(continued)

**Notes Payable (continued)**

Revolving line of credit note payable to bank in the amount of \$50,000, interest payable monthly at prime interest rate plus 0.5%; all principal and interest due in May 2013; collateralized by a brokerage account. (LJA)	\$ 19,996
Revolving line of credit note payable to bank in the amount of \$50,000, interest payable monthly with a current interest rate of 6.10%; all principal and interest due in July, 2013; secured by real estate and buildings. (Hinton)	33,292
Revolving line of credit note payable to bank in the amount of \$45,000, interest payable monthly with a current interest rate of 5.65%; all principal and interest due in September, 2013; secured by real estate. (Hinton)	33,088
Note payable to bank due in monthly installments of \$2,897, including interest at 5% per annum, matures in 2017; collateralized by equipment. (LJA)	128,622
Note payable to bank due in monthly installments of \$6,685 including interest at 6% per annum, matures in 2032; collateralized by real estate and buildings. (Hinton)	922,645
Note payable to bank due in monthly installments of \$7,366, including interest at 5.25% per annum, matures in 2020; collateralized by real estate. (LJA)	372,108
Note payable to bank due in monthly installments of \$8,600, including interest at a fixed rate of 6.35%, matures in 2016; collateralized by real estate. (LJA)	663,896

(continued)



**Notes Payable (continued)**

Monthly payments of \$8,093 including interest at a fixed rate of 5.5%, balloon payment due December 2017; collateralized by real estate. (LJA)	\$ 930,314
Two Housing Assistance Council (HAC) loans issued in 2009 for \$105,000. Interest is 0%, due upon the earlier of (1) the sale of land purchased or upon which infrastructure improvements are made or (2) maturity dates ranging during 2012. At December 31, 2012 these loans started bearing interest at the then prevailing interest rate. Eight percent of the loan may be forgiven at HAC's sole discretion when funds have been used to produce the required number of affordable self-help housing units by the deadline and other loan agreement conditions have been satisfied. These grant conversion funds may be passed on as grants or loans to self-help families, or may be used to capitalize an internal revolving development loan fund. (Hinton)	95,408
Total notes payable	3,975,429
Current maturities	(1,194,301)
Notes payable, excluding current maturities	\$ 2,781,128
Maturities of long-term debt follow:	
2013	\$ 1,194,301
2014	252,490
2015	266,636
2016	652,002
2017	831,013
Thereafter	778,987
	\$ 3,975,429

9. **Operating Leases**

The Organization has entered into several non-cancelable operating lease agreements. The future minimum lease payments as of December 31, 2012 as follows:

2013	\$ 80,000
2014	77,000
2015	55,000
2016	<u>23,000</u>
	<u>\$ 235,000</u>

Lease expense for the years ending December 31, 2012 was approximately \$87,000.

10. **Retirement Plans**

The Organization participates in various retirement plans covering different classes of employees.

The Organization provides eligible fulltime clergy coverage to UMPIP (“Clergy”), a defined contribution pension plan. For the year ended December 31, 2012, the Organization contributed approximately \$24,000, or 7% of eligible compensation, including housing allowances of ordained staff.

For eligible full time Lay employees who have completed 1,000 hours of work in the prior calendar year, the Organization contributes 7% of employee compensation to UMPIP (“Lay”), a defined contribution pension. Contributions amounted to approximately \$165,000 in 2012. Employees are required to contribute 3% of compensation to the plan; higher contributions are allowed under certain circumstances.

11. **Advertising Costs**

The Organization advertises its services through printed media and radio. All costs are expensed as incurred since they represent no future economic benefit. The total advertising expense for the year ended December 31, 2012 was approximately \$92,000.

12. **Temporarily Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2012 are available for the following purposes:

Buildings and grounds	\$ 748,553
Ministry and program	304,857
Endowment holding	234,791
First Parish project	150,601
Group-organized directed funds	121,586
Residential services	114,450
Other	80,696
	<hr/>
	\$ 1,755,534

# **Supplementary Information**

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**SOUTHEASTERN JURISDICTION OF  
THE UNITED METHODIST CHURCH**

Statement of Financial Position (Without Agencies)

December 31, 2012

**Assets**

Cash and cash equivalents	\$ 716,013
Annual conference receivables	466,972
 Total assets	 <u>\$ 1,182,985</u>

**Liabilities and Net Assets**

Liabilities:	
Payable to Lake Junaluska Assembly, Inc. groups and agencies	\$ 566,794
Net assets:	
Unrestricted:	
Designated—conference and contingency fund	616,191
 Total liabilities and net assets	 <u>\$ 1,182,985</u>

**SOUTHEASTERN JURISDICTION OF  
THE UNITED METHODIST CHURCH**

Statement of Activities (Without Agencies)

For the Year Ended December 31, 2012

	<b><u>Unrestricted</u></b>
Revenues and other support:	
Annual conference apportionment contributions	\$ 1,927,546
Interest earned	74
Southeastern Jurisdiction special asking	282,753
Total revenues and other support	<u>2,210,373</u>
Expenses and payments:	
Jurisdictional conference expenses:	
Finance and administration	93,892
Committee on Episcopacy	26,896
Program Committee	5,079
Nominating Committee	8,130
Committee on Coordinating	3,717
Quadrennial Conference	279,567
Total program services	<u>417,281</u>
Quadrennial budget allocation payments:	
Affiliated agencies	1,921,172
Associated groups	12,032
Total quadrennial budget allocation payments	<u>1,933,204</u>
Total expenses	<u>2,350,485</u>
Decrease in net assets	(140,112)
Net assets, beginning of year	<u>756,303</u>
Net assets, end of year	<u><u>\$ 616,191</u></u>

**SOUTHEASTERN JURISDICTION OF  
THE UNITED METHODIST CHURCH**

Statement of Cash Flows (without Agencies)

For the Year Ended December 31, 2012

Cash flows from operating activities:	
Decrease in net assets	\$ (140,112)
Changes in operating assets and liabilities:	
Increase in annual conference receivables	23,908
Decrease in agency and group receivables	-
Increase in accounts payable	73,046
Net cash used by operations	<u>(43,158)</u>
Cash and cash equivalents:	
Beginning of year	<u>759,171</u>
End of year	<u><u>\$ 716,013</u></u>

**SOUTHEASTERN JURISDICTION OF  
THE UNITED METHODIST CHURCH AND AGENCIES**

Consolidating Statement of Financial Position

December 31, 2012

<u>Assets</u>	<u>LJA</u>	<u>Gulfside</u>	<u>Hinton</u>	<u>Heritage Center</u>
Cash and cash equivalents	\$ 1,798,211	\$ 9,200	\$ 112,320	\$ 35,021
Investments	4,737,242	54,762	312,809	430,316
Receivables	1,620,114	18,894	20,516	-
Property and equipment, net	18,494,576	408,561	1,519,341	-
Other assets	138,517	-	21,919	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 26,788,660</u>	<u>\$ 491,417</u>	<u>\$ 1,986,905</u>	<u>\$ 465,337</u>
 <b><u>Liabilities and Net Assets</u></b>				
Liabilities:				
Accounts payable	260,837	814	29,095	-
Advance lodging deposits	348,227	-	47,130	-
Accrued expenses	321,750	2,791	-	-
Capital leases payable	48,331	-	-	-
Custodial funds	1,200,886	-	-	-
Notes payable	2,890,996	-	1,084,433	-
Total liabilities	<hr/> <u>5,071,027</u>	<hr/> <u>3,605</u>	<hr/> <u>1,160,658</u>	<hr/> <u>-</u>
Net assets:				
Unrestricted	17,870,607	434,321	256,868	31,519
Temporarily restricted	1,719,170	28,014	278,902	3,201
Permanently restricted	2,127,856	25,477	290,477	430,617
Total net assets	<hr/> <u>21,717,633</u>	<hr/> <u>487,812</u>	<hr/> <u>826,247</u>	<hr/> <u>465,337</u>
Total liabilities and net assets	<u>\$ 26,788,660</u>	<u>\$ 491,417</u>	<u>\$ 1,986,905</u>	<u>\$ 465,337</u>



<u>IGC</u>	<u>SEMAR</u>	<u>SEJUM</u>	<u>Consolidation</u>	<u>Total</u>
\$ 1,440	\$ 920	\$ 716,013	\$ -	\$ 2,673,125
20,462	300	-	-	5,555,891
4,569	-	466,972	(566,794)	1,564,271
39,722	745	-	-	20,462,945
-	-	-	-	160,436
<u>\$ 66,193</u>	<u>\$ 1,965</u>	<u>\$ 1,182,985</u>	<u>\$ (566,794)</u>	<u>\$ 30,416,668</u>
21,033	-	566,794	(566,794)	311,779
-	-	-	-	395,357
-	-	-	-	324,541
-	-	-	-	48,331
-	-	-	-	1,200,886
-	-	-	-	3,975,429
<u>21,033</u>	<u>-</u>	<u>566,794</u>	<u>(566,794)</u>	<u>6,256,323</u>
36,160	1,965	616,191	282,753	19,530,384
9,000	-	-	(282,753)	1,755,534
-	-	-	-	2,874,427
<u>45,160</u>	<u>1,965</u>	<u>616,191</u>	<u>-</u>	<u>24,160,345</u>
<u>\$ 66,193</u>	<u>\$ 1,965</u>	<u>\$ 1,182,985</u>	<u>\$ (566,794)</u>	<u>\$ 30,416,668</u>

**SOUTHEASTERN JURISDICTION OF  
THE UNITED METHODIST CHURCH AND AGENCIES**

Consolidating Statement of Activities

December 31, 2012

	<u>LJA</u>	<u>Gulfside</u>	<u>Hinton</u>
Revenues, gains and other support:			
Contributions from Southeastern Jurisdiction of the United Methodist Church	\$ 1,534,383	\$ 12,031	\$ 10,313
Annual conference apportionment contributions and special asking	-	-	-
Contributions and bequests	721,774	106,677	121,828
Program revenue	7,908,535	1,800	678,938
Investment return, net of distributions and fees	150,645	399	15,067
Realized gains on investments	101,424	-	4,657
Unrealized gains on investments	58,924	-	-
Gain on disposal of property and equipment	-	-	10,076
Other—fees, rents and miscellaneous	400,721	78,868	25,844
In-kind rental income	72,600	-	-
Net assets released from restrictions	394,179	11,990	242,277
Total revenues, gains and other support	<u>11,343,185</u>	<u>211,765</u>	<u>1,109,000</u>
Expenses			
Program services	8,795,968	165,995	674,305
General administration	1,593,840	79,225	469,247
Fundraising	396,238	495	633
Interest expense	129,411	-	-
Total expenses	<u>10,915,457</u>	<u>245,715</u>	<u>1,144,185</u>
Increase (decrease) in net assets	427,728	(33,950)	(35,185)
Net assets, beginning of year	<u>17,442,879</u>	<u>468,271</u>	<u>292,053</u>
Net assets, end of year	<u>\$ 17,870,607</u>	<u>\$ 434,321</u>	<u>\$ 256,868</u>

<b>Unrestricted</b>					
<b><u>Heritage Center</u></b>	<b><u>IGC</u></b>	<b><u>SEMAR</u></b>	<b><u>SEJUM</u></b>	<b><u>Consolidation</u></b>	<b><u>Total</u></b>
\$ 58,488	\$ 12,032	\$ 11,173	\$ -	\$ (1,638,420)	\$ -
-	-	-	2,210,299	-	2,210,299
10,785	59,379	9,804	-	-	1,030,247
-	330,494	-	-	-	8,919,767
14,857	3,017	-	74	-	184,059
-	14,041	-	-	-	120,122
-	(8,418)	-	-	-	50,506
-	-	-	-	-	10,076
914	2,521	137,777	-	-	646,645
-	-	-	-	-	72,600
49	-	-	-	-	648,495
<u>85,093</u>	<u>413,066</u>	<u>158,754</u>	<u>2,210,373</u>	<u>(1,638,420)</u>	<u>13,892,816</u>
41,235	253,782	19,536	2,256,593	(1,921,173)	10,286,241
27,622	213,098	781	93,892	-	2,477,705
-	-	-	-	-	397,366
-	-	-	-	-	129,411
<u>68,857</u>	<u>466,880</u>	<u>20,317</u>	<u>2,350,485</u>	<u>(1,921,173)</u>	<u>13,290,723</u>
16,236	(53,814)	138,437	(140,112)	282,753	602,093
15,283	89,974	(136,472)	756,303	-	18,928,291
<u>\$ 31,519</u>	<u>\$ 36,160</u>	<u>\$ 1,965</u>	<u>\$ 616,191</u>	<u>\$ 282,753</u>	<u>\$ 19,530,384</u>

**SOUTHEASTERN JURISDICTION OF  
THE UNITED METHODIST CHURCH AND AGENCIES**

Consolidating Statement of Activities, Continued

December 31, 2012

	<u>LJA</u>	<u>Gulfside</u>	<u>Hinton</u>
Revenues, gains and other support:			
Contributions and bequests	\$ -	\$ 7,156	\$ 134,375
Program revenue	81,746		9,288
Investment return, net of distributions and fees	1,256	175	105
Realized gains (losses) on investments	5,200	(1,627)	-
Unrealized gains (losses) on investments	3,581	(87)	-
Other—fees, rents and miscellaneous	3,854	-	-
Associates revenue	91,662	-	-
SEJ special asking for lake restoration	282,753	-	-
Net assets released from restrictions	(394,179)	(11,990)	(242,277)
Total revenues, gains and other support	<u>75,873</u>	<u>(6,373)</u>	<u>(98,509)</u>
Increase (decrease) in net assets	75,873	(6,373)	(98,509)
Net assets, beginning of year	<u>1,643,297</u>	<u>34,387</u>	<u>377,411</u>
Net assets, end of year	<u>\$ 1,719,170</u>	<u>\$ 28,014</u>	<u>\$ 278,902</u>

	<u>LJA</u>	<u>Gulfside</u>	<u>Hinton</u>
Revenues, gains and other support:			
Contributions and bequests	\$ 5,200	\$ -	\$ 140
Investment return, net of distributions and fees	(19,574)	-	938
Realized gains on investments	120,982	-	632
Unrealized gains on investments	82,002	-	-
Total revenues, gains and other support	<u>188,610</u>	<u>-</u>	<u>1,710</u>
Increase in net assets	188,610	-	1,710
Net assets, beginning of year	<u>1,939,246</u>	<u>25,477</u>	<u>288,767</u>
Net assets, end of year	<u>\$ 2,127,856</u>	<u>\$ 25,477</u>	<u>\$ 290,477</u>

**Temporarily Restricted**

<u>Heritage Center</u>	<u>IGC</u>	<u>SEMAR</u>	<u>SEJUM</u>	<u>Consolidation</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 141,531
-	-	-	-	-	91,034
-	-	-	-	-	1,536
-	-	-	-	-	3,573
-	-	-	-	-	3,494
-	-	-	-	-	3,854
-	-	-	-	-	91,662
-	-	-	-	(282,753)	-
(49)	-	-	-	-	(648,495)
<u>(49)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(282,753)</u>	<u>(311,811)</u>
(49)	-	-	-	(282,753)	(311,811)
<u>3,250</u>	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,067,345</u>
<u>\$ 3,201</u>	<u>\$ 9,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (282,753)</u>	<u>\$ 1,755,534</u>

**Permanently Restricted**

<u>Heritage Center</u>	<u>IGC</u>	<u>SEMAR</u>	<u>SEJUM</u>	<u>Consolidation</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,340
-	-	-	-	-	(18,636)
-	-	-	-	-	121,614
-	-	-	-	-	82,002
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,320</u>
-	-	-	-	-	190,320
<u>430,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,684,107</u>
<u>\$ 430,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,874,427</u>