

***MINNESOTA CONFERENCE OF
THE UNITED CHURCH OF CHRIST***

FINANCIAL REPORT

SEPTEMBER 30, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Minnesota Conference of the United Church of Christ
Minneapolis, Minnesota

We have audited the accompanying statement of financial position of Minnesota Conference of the United Church of Christ (the Conference) as of September 30, 2010 and the related statements of activities and cash flows 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Conference of the United Church of Christ as of September 30, 2010, and its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Boyum & Barenscheer PLLP

Minneapolis, Minnesota
March 24, 2011

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2010

ASSETS

Cash and cash equivalents	\$ 229,333
Certificates of deposit	1,672,218
Pledges receivable, net	186,138
Notes receivable, net	4,800
Prepaid expenses	48,356
Investments	6,668,079
Property held for others	1,400,000
Property and equipment, net	926,754

Total assets **\$ 11,135,678**

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 40,284
Accrued expenses	54,568
Property held for others	1,400,000
Capital lease	5,253
Long-term debt	52,097

Total liabilities **1,552,202**

NET ASSETS

Unrestricted - undesignated	2,158,971
Unrestricted - board designated	185,000
Temporarily restricted	606,995
Permanently restricted	6,632,510

Total net assets **9,583,476**

Total liabilities and net assets **\$ 11,135,678**

The Notes to Financial Statements are an integral part of these statements.

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND OTHER REVENUES				
Contributions	\$ 1,153,341	\$ 35,423	\$ -	\$ 1,188,764
Program service fees and other	193,851	-	-	193,851
Payments to National Office for OCWM	(270,311)	-	-	(270,311)
Total	1,076,881	35,423	-	1,112,304
NET ASSETS RELEASED FROM RESTRICTION				
	393,684	(393,684)	-	-
Total support and other revenues	1,470,565	(358,261)	-	1,112,304
EXPENSES				
Program	1,043,497	-	-	1,043,497
Management and general	402,810	-	-	402,810
Fundraising	9,053	-	-	9,053
Total expenses	1,455,360	-	-	1,455,360
NON-OPERATING ACTIVITY				
Interest and dividends	18,739	110,336	-	129,075
Realized gains on investments	8,755	12,685	-	21,440
Unrealized gain (loss) on investments	(15,773)	437,313	-	421,540
Interest expense	(3,043)	-	-	(3,043)
Investment management fees	(4,513)	-	-	(4,513)
Total non-operating activity	4,165	560,334	-	564,499
Change in net assets	19,370	202,073	-	221,443
Net assets, beginning of year	2,324,601	391,640	6,645,792	9,362,033
Other transfer	-	13,282	(13,282)	-
Net assets, end of year	\$ 2,343,971	\$ 606,995	\$ 6,632,510	\$ 9,583,476

The Notes to Financial Statements are an integral part of these statements.

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 221,443
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	41,600
Unrealized gain on investments	(421,540)
Realized gain on sale of investments	(21,440)
Changes in assets and liabilities:	
Accounts receivable	11,906
Pledges receivable	16,037
Notes receivable	700
Prepaid expenses	(10,124)
Accounts payable	(26,875)
Accrued expenses	3,738
	<hr/>
<i>Net cash used by operating activities</i>	(184,555)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from maturities certificates of deposit	3,332,601
Purchases of certificates of deposit	(3,348,406)
Proceeds from sales of investments	275,679
Purchases of investments	(109,731)
	<hr/>
<i>Net cash provided by investing activities</i>	150,143

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on long term debt	(14,391)
Payments on capital lease	(9,309)
	<hr/>
<i>Net cash used by financing activities</i>	(23,700)

Net decrease in cash **(58,112)**

Cash and cash equivalents, beginning of year 287,445

Cash and cash equivalents, end of year **\$ 229,333**

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW
INFORMATION**

Cash payments for interest	<u><u>\$ 3,043</u></u>
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The Notes to Financial Statements are an integral part of these statements.

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization description:

Minnesota Conference of the United Church of Christ (the Conference) office is located at the Minnesota Church Center, 122 West Franklin Avenue, Suite 323, Minneapolis, Minnesota 55404. The Minnesota Conference was created by consolidation of the Congregational Conference of Minnesota and the Northern Synod of the Evangelical and Reformed Church. It was incorporated as a not-for-profit corporation under the laws of the State of Minnesota on February 25, 1963. The corporate life is perpetual. The Conference was organized to promote the interest of religion and assist member churches within its organizational boundaries. At times, the Conference may enter into various financial arrangements to support member churches.

Basis of presentation:

The Conference 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, based upon the existence or absence of donor restrictions. Permanently restricted net assets consist of contributions for endowment purposes that are required to be invested in perpetuity.

Use of estimates:

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of credit risk:

The Conference maintains its operating cash account in one commercial bank located in Minnesota. At times, amounts may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

Cash and cash equivalents:

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturity dates of three months or less. For purposes of the statement of cash flows, the Conference does not consider money market and short-term investments that are included with investments to be cash equivalents as they are not normally used to finance current operations.

Certificates of deposit:

The certificates of deposit are recorded at cost plus accrued interest, which approximates fair market value.

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Pledges receivable:

Contributions are recognized when the donor makes a promise to give to the Conference that is, in substance, unconditional. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value. An allowance is provided for pledges when a significant pattern of uncollectability has occurred. When all collection efforts have been exhausted, the pledges are written off against the related allowance. Pledges receivable as of September 30, 2010 are \$283,973, all of which are expected to be realized within one year. The allowance for doubtful accounts as of September 30, 2010 is \$97,835.

Investments:

Marketable securities are recorded at fair market value. Investments in partnerships are recorded at cost unless it is determined that market value is less than cost. Investment income is recorded as unrestricted revenue unless a donor has stipulated how the income is to be used. The Conference provides for investments in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the balance sheets.

Notes receivable:

Notes are provided on a secured basis. Payment is required in accordance with the note agreements. The Conference provides an allowance for bad debts using the allowance method, which is based on management's judgment considering historical information. Past dues notes are individually analyzed for collectability. Notes for which no payments have been received are written off on a case-by-case basis, with no further accrual of interest. In addition, an allowance is provided for other notes when a significant pattern of uncollectability has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance. The Conference has notes receivable from seminary students with a balance of \$4,800 at September 30, 2010. Management does not believe an allowance is warranted for these notes receivable.

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Fair value measurements:

Accounting Standards Codification (ASC) Section 820 (“Fair Value Measurements”) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobserved inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC Section 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Conference has the ability to access.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Property and equipment and depreciation methods:

Property and equipment are recorded at acquisition cost or fair market value at date of receipt for donated assets. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted. Improvements and betterments exceeding \$3,000 are capitalized, while repairs and maintenance expenditures are expensed in the statement of activities.

Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Land	Indefinite
Buildings and building improvements	3 - 27.5 years
Furniture, fixtures and equipment	3 - 10 years

Depreciation expense of \$41,600 was recorded for the year ended September 30, 2010.

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Revenue recognition:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending upon the nature of restriction. When a 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 statements of activities as net assets released from restrictions.

Functional allocation of expenses:

The costs of providing the various programs and other activities of the Conference have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited on the best estimates of management.

Income taxes:

The Conference is exempt from income taxes under Code Section 501(c)(3). The Conference qualifies for the charitable contribution deduction under Code Section 170(b)(1)(A) and is classified as an organization that is not a private foundation under Section 509(a)(2).

The Conference undergoes an annual analysis of its various tax positions and has concluded they do not result in anything that would require either recording or disclosing in the financial statements based on the criteria set forth in FASB ASC Section 740.

Reclassification:

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

Subsequent events:

In preparing these financial statements, the Conference has evaluated events and transactions for potential recognition or disclosure through March 24, 2011, the date the financial statements were available to be issued.

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

NOTE 2. CERTIFICATES OF DEPOSIT

Certificates of deposit totaling \$1,672,218 at September 30, 2010 are included in the accompanying financial statements. The certificates bear interest ranging from 0.55% to 0.65% and have maturities of six months with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

At September 30, 2010, certificates of deposit were as follows:

SEPTEMBER 30,	2010
Interest rate 0.65%, maturing November 2010	\$ 837,275
Interest rate 0.55%, maturing February 2011	834,943
<i>Total certificates of deposit</i>	\$ 1,672,218

NOTE 3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

At September 30, 2010, the fair values of the investments are determined as follows:

	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash/money markets	\$ 91,486	\$ -	\$ -	\$ 91,486
Common stocks	99,192	-	4,598,888	4,698,080
Bonds	-	-	1,810,229	1,810,229
Balance mutual funds	-	-	57,143	57,143
Partnership units	-	-	11,141	11,141
	\$ 190,678	\$ -	\$ 6,477,401	\$ 6,668,079

The fair value for securities is determined by reference to quoted market prices. For the partnership units, fair value is estimated at the present value of expected future cash flows.

Following is a reconciliation of activity for 2010 for assets measured at fair value based upon significant unobservable (non-market) information.

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

NOTE 3. (CONTINUED)

	Common Stocks	Bonds	Balanced Mutual Funds	Partnership Units
Balance, beginning of year	\$ 4,241,056	\$ 1,868,063	\$ 53,694	\$ 10,423
Realized and unrealized gains (losses) included in earnings	357,832	92,166	3,679	718
Purchases, issuances and settlements	41,915	68,402	-	-
Transfers in/out of Level 3	(41,915)	(218,402)	(230)	-
 <i>Balance, end of year</i>	\$ 4,598,888	\$ 1,810,229	\$ 57,143	\$ 11,141

Assets measured at fair value on a non-recurring basis at September 30, 2010 are as follows:

	Unobservable Inputs
Pledges receivable	\$ 186,138

The fair value of pledges receivable is determined based upon discounted future cash flows.

NOTE 4. PROPERTY AND EQUIPMENT

At September 30, 2010, the property and equipment is as follows:

SEPTEMBER 30,	2010
Land	\$ 637,298
Buildings and building improvements	1,099,965
Furniture, fixtures and equipment	365,726
<i>Subtotal</i>	2,102,989
Less: accumulated depreciation	1,176,235
<i>Total property plant and equipment, net</i>	\$ 926,754

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PROPERTY HELD FOR OTHERS

The assets of Pilgrims UCC, Maple Grove, a member church, were transferred to the Conference during 1999 on a Quit Claim Deed for \$500. The assets are to be transferred back to the congregation when they become a self-sustaining organization. This was determined to have happened subsequent to year-end and, accordingly, the title was transferred back to Pilgrims UCC in November 2010. The assets were leased to Pilgrims UCC on an annual lease expiring March 31, 2010 and became a month-to-month lease after expiration. The lease does not provide for rental payments to the Conference. Any payments are required to be remitted to the lender which has a mortgage on the property. The values of these assets were recorded at fair market value of \$1,400,000 when transferred in 1999, with a corresponding liability for the entire amount since they will be transferred back to Pilgrims UCC in the future.

NOTE 6. LEASE AGREEMENTS

Capital leases:

The Conference maintains a capital lease for furniture. The assets are included in property and equipment as follows at September 30, 2010:

SEPTEMBER 30,	2010
Furniture, fixtures and equipment	\$ 27,507
Less: accumulated depreciation	27,507
<hr/>	
<i>Net assets under capital lease</i>	\$ -

The furniture lease requires monthly payments of \$862 through April 2011. Future minimum lease payments under this lease are as follows:

YEAR ENDING SEPTEMBER 30,	
2011	\$ 6,034
Less: interest	781
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<i>Total capital lease obligation</i>	\$ 5,253

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

NOTE 6. (CONTINUED)

Operating leases:

The Conference leases its office facilities and various office equipment. Total rental expense was \$56,507 for the year ended September 30, 2010. Future lease obligations under these leases are as follows:

YEARS ENDING SEPTEMBER 30,

2011	\$	59,601
2012		20,248
<i>Total</i>	\$	79,849

NOTE 7. LONG TERM DEBT

Long term debt consists of:

SEPTEMBER 30,	2010
Special assessment with Douglas County, MN regarding Pilgrim Point, MN of \$67,200. Semi-annual payments of \$2,259 including interest at 3% through November 2022. No collateral or guarantees.	\$ 46,436
Special assessment with Hennepin County, MN for All Nations Indian Church of \$7,705. Semi-annual principal payments of \$316 plus interest at 3.3% through 2013. No collateral or guarantees.	485
Leasehold improvements with the Minnesota Council of Churches for Conference offices of \$28,175. Monthly principal and interest payments of \$870 (interest imputed at 7.39%) through April 2011. The debt is secured by office equipment.	5,176
<i>Total long term debt</i>	\$ 52,097

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

NOTE 7. (CONTINUED)

The minimum principal payments for each of the years following September 30, 2010 are as follows:

YEARS ENDING SEPTEMBER 30,

2011	\$	8,806
2012		3,240
2013		3,338
2014		3,438
2015		3,542
Thereafter		29,733
Total	\$	52,097

NOTE 8. BOARD DESIGNATED NET ASSETS

The board of directors has designated net assets as follows:

SEPTEMBER 30,

2010

Granada/Madison	\$	20,511
Make a Difference - Conference		32,521
Church Aid Earnings		16,924
PHP Earnings		14,703
Other		100,341
Total board designated net assets	\$	185,000

NOTE 9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at September 30, 2010:

SEPTEMBER 30,

2010

Peace UCC St. Paul	\$	218,909
Pilgrim Point		36,934
New Church - RTC		56,720
Floyd C. Ashley Endowment		(22,244)
Various program purposes		316,676
Total temporarily restricted net assets	\$	606,995

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

NOTE 10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at September 30, 2010:

SEPTEMBER 30,	2010
Floyd C. Ashley Endowment	\$ 6,277,979
United Church Foundation	14,707
Minneapolis Fund	31,304
PHP Endowment	162,876
St. Paul Union Grant	15,000
Voss Scholarship	10,000
Hamm	5,644
Pilgrim Point Endowment	100,000
Small Member Church	15,000
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<i>Total permanently restricted net assets</i>	\$ 6,632,510

During the year ended September 30, 2010, there was a transfer of \$13,282 from the Pilgrim Point Endowment Fund to Pilgrim Point Capital Fund, which is a temporarily restricted fund. The Conference determined in 2010 that they had set aside more than stated in a previous capital campaign as permanently restricted and therefore elected to transfer those monies to temporarily restricted net assets, which will be spent on future Pilgrim Point needs.

NOTE 11. ENDOWMENT

The Conference's endowment consists of approximately nine individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Conference has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring 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 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 (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

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

NOTE 11. (CONTINUED)

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 SPMIFA. In accordance with SPMIFA, the organization 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

The composition of endowment net assets by fund type as of September 30, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	<u>\$ 14,703</u>	<u>\$ (22,244)</u>	<u>\$ 6,632,510</u>	<u>\$ 6,624,969</u>

Changes in endowment net assets for the year ended September 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 26,852	\$ (229,584)	\$ 6,645,792	\$ 6,443,060
Investment return:				
Investment income	18,739	110,336	-	129,075
Net realized and unrealized appreciation (depreciation)	(7,018)	449,998	-	442,980
Appropriation of endowment assets for expenditure	<u>(23,870)</u>	<u>(352,994)</u>	<u>(13,282)</u>	<u>(390,146)</u>
Endowment net assets, end of the year	<u>\$ 14,703</u>	<u>\$ (22,244)</u>	<u>\$ 6,632,510</u>	<u>\$ 6,624,969</u>

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

NOTE 11. (CONTINUED)

The components of endowment funds classified as temporarily restricted net assets and permanently restricted net assets as of September 30, 2010 are as follows:

Temporarily restricted net assets:

The portion of perpetual endowment funds subject to a time restriction under SPMIFA:

With purpose restrictions \$ (22,244)

Permanently restricted net assets:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA.

\$ 6,632,510

Funds with Deficiencies (Disclosure required by paragraph 15(d) of Statement 124)

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 SPMIFA requires the Conference to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in temporarily restricted net assets were \$22,244 as of September 30, 2010. These deficiencies resulted from unfavorable market fluctuations and the Conference continued appropriation for certain programs that was deemed prudent by the Board of Directors.

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 organization must hold in perpetuity. 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 the S&P 500 Index and Barclays Credit Bond Index while assuming a moderate level of investment risk. The Conference expects its endowment funds, over time, to provide an average rate of return of approximately nine percent annually. 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 Conference relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Conference targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

NOTES TO FINANCIAL STATEMENTS

NOTE 11. (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Conference has a policy of appropriating for distribution each year five percent of its endowment fund's average fair value over the prior three years through the calendar year end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Conference considered the long-term expected return on its endowment. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts.

NOTE 12. ALL NATIONS INDIAN CHURCH

The Conference financed the construction of the All Nations Indian Church in Minneapolis through a capital fund drive and a mortgage from the United Church of Christ – Church Building and Loan Fund (National Office), which has since been paid in full. The Conference is holding the title to this property. The two organizations are in the process of negotiating transfer of the title to the congregation of All Nations Indian Church. Beginning in 1993, the Conference began depreciating this building over the remaining terms of the trust agreement.

NOTE 13. COMMITMENTS

The Conference guarantees a \$200,000 loan for Pilgrims UCC, Maple Grove. The loan is due August 1, 2015. The loan balance was \$78,532 as of September 30, 2010.

NOTE 14. RELATED PARTY TRANSACTIONS

National Office of the United Church of Christ

The Conference contributes to a multi-employer defined contribution plan administered by the Pension Board of the United Church of Christ for eligible employees. The Conference's related pension expense for the year ended September 30, 2010 was \$57,693. Total pension expense for the year totaled \$61,014 due to three employees contributing to a Vanguard pension plan for part of the year.

The Conference also participates in a multi-employer medical and life insurance plan for employees through the Pension Board of the United Church of Christ. The related expense totaled \$73,755 for the year ended September 30, 2010.

The Conference has a discretionary agreement with the National Office to contribute to them a certain percentage of their Our Church's Wider Mission (OCWM) donations received during the year. The Conference board of directors has elected to contribute 34.75% of all donations received which resulted in an expense of \$270,311 for the year ending September 30, 2010.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Minnesota Conference of the United Church of Christ
Minneapolis, Minnesota

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 19 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 audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Boyum & Barescheer PLLP

Minneapolis, MN
March 24, 2011

MINNESOTA CONFERENCE OF THE UNITED CHURCH OF CHRIST

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2010

	Total Program Services	Management and General	Fundraising	Total
Salaries, taxes and benefits	\$ 430,398	\$ 276,809	\$ -	\$ 707,207
Professional fees	56,075	45,073	5,710	106,858
Insurance	21,503	4,292	-	25,795
Occupancy	79,441	28,407	275	108,123
Vehicle	2,707	-	-	2,707
Telephone and communications	15,236	10,532	25	25,793
Office supplies	77,435	15,996	2,365	95,796
Travel	59,892	6,160	678	66,730
Staff development	34,930	5,686	-	40,616
Other expenses	11,703	231	-	11,934
Grants, scholarships and dues	124,367	-	-	124,367
Bad debt expense	97,835	-	-	97,835
Depreciation	31,975	9,624	-	41,599
<i>Total expenses</i>	\$ 1,043,497	\$ 402,810	\$ 9,053	\$ 1,455,360
