

IX. FINANCIAL MATTERS

Please see the Plan of Organization of the Great Plains Annual Conference in this Journal for details of financial policies and the budget.

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
DECEMBER 31, 2012 AND 2011
TOGETHER WITH REPORT OF INDEPENDENT AUDITORS**

Independent Auditors' Report

Council on Finance and Administration and the
Conference Treasurer of The Kansas East Conference of the
United Methodist Church, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Kansas East Conference of the United Methodist Church, Inc. which comprise the consolidated statements of financial position as of December 31, 2012 and 2011 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the 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 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 these consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks

of material misstatement of the 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 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 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 financial position of The Kansas East Conference of the United Methodist Church, Inc. as of December 31, 2012 and 2011 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information on pages 24-27 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 statements as a whole.

Summers, Spencer & Company, P.A.
Topeka, Kansas
August 13, 2013

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

December 31,	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 2,123,981	\$ 1,794,154
Receivables	2,053,421	808,203
Prepaid expenses	<u>53,922</u>	<u>247,365</u>
Total current assets	4,231,324	2,849,722
Non-current contributions receivable	-	1,622,875
Investments, at fair value	6,960,352	5,928,697
Property and equipment, net	<u>5,000,601</u>	<u>4,287,285</u>
Total assets	<u>\$ 16,192,277</u>	<u>\$ 14,688,579</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 399,782	\$ 322,765
Due to other organizations	60,504	25,650
Current portion of long-term debt	<u>241,544</u>	<u>70,379</u>
Total current liabilities	701,830	418,794
Long-term debt, less current maturities	<u>499,195</u>	<u>591,109</u>
Total liabilities	<u>1,201,024</u>	<u>1,009,904</u>
Net assets		
Unrestricted	11,154,538	9,283,004
Temporarily restricted	2,553,198	3,130,633
Permanently restricted	<u>1,283,517</u>	<u>1,265,038</u>
Total net assets	<u>14,991,253</u>	<u>13,678,675</u>
Total liabilities and net assets	<u>\$ 16,192,277</u>	<u>\$ 14,688,579</u>

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

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES**

For the year ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains				
Apportionments	\$ 4,630,897	\$ -	\$ -	\$ 4,630,897
Special askings	-	140,318	17,769	158,086
Special Sunday offerings	-	46,493	-	46,493
Gifts and grants	120,473	1,185,473	1,922	1,307,868
Total contributions	4,751,370	1,372,284	19,692	6,143,345
Program service fees	347,039	-	-	347,039
Investment income	270,329	16,137	-	286,467
Sale of assets	58,626	-	-	58,626
Clergy benefits	520,685	-	-	520,685
Other income	212,197	-	-	212,197
Total revenues and gains	6,160,246	1,388,421	19,692	7,568,359
Release net asset restrictions				
Satisfaction of purpose restriction	885,431	(885,431)	-	-
Total revenues, gains and release net asset restrictions	7,045,677	502,990	19,692	7,568,359
Expenses and losses				
Program services				
Conference ministerial support ministries	1,532,215	-	-	1,532,215
World service & conference benevolences	2,204,219	-	-	2,204,219
General and jurisdictional ministries	450,867	-	-	450,867
Other conference ministries	954,896	-	-	954,896
Total program services	5,142,196	-	-	5,142,196
Supporting activities				
Administrative activities	1,167,267	-	-	1,167,267
Fundraising activities	10,531	-	-	10,531
Total expenses	6,319,994	-	-	6,319,994
Losses on allowance for capital campaign	2,741	-	-	2,741
Total expenses and losses	6,322,735	-	-	6,322,735
Change in net assets	722,942	502,990	19,692	1,245,624
Net assets, beginning of year	8,560,062	2,627,643	1,245,347	12,433,052
Net assets, end of year	<u>\$ 9,283,004</u>	<u>\$ 3,130,633</u>	<u>\$ 1,265,038</u>	<u>\$ 13,678,675</u>

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

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**
CONSOLIDATED STATEMENTS OF ACTIVITIES

For the year ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains				
Apportionments	\$ 4,630,897	\$ -	\$ -	\$ 4,630,897
Special askings	-	140,318	17,769	158,086
Special Sunday offerings	-	46,493	-	46,493
Gifts and grants	<u>120,473</u>	<u>1,185,473</u>	<u>1,922</u>	<u>1,307,868</u>
Total contributions	4,751,370	1,372,284	19,692	6,143,345
Program service fees	347,039	-	-	347,039
Investment income	270,329	16,137	-	286,467
Sale of assets	58,626	-	-	58,626
Clergy benefits	520,685	-	-	520,685
Other income	<u>212,197</u>	<u>-</u>	<u>-</u>	<u>212,197</u>
Total revenues and gains	6,160,246	1,388,421	19,692	7,568,359
Release net asset restrictions				
Satisfaction of purpose restriction	<u>885,431</u>	<u>(885,431)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and release net asset restrictions	<u>7,045,677</u>	<u>502,990</u>	<u>19,692</u>	<u>7,568,359</u>
Expenses and losses				
Program services				
Conference ministerial support ministries	1,532,215	-	-	1,532,215
World service & conference benevolences	2,204,219	-	-	2,204,219
General and jurisdictional ministries	450,867	-	-	450,867
Other conference ministries	<u>954,896</u>	<u>-</u>	<u>-</u>	<u>954,896</u>
Total program services	5,142,196	-	-	5,142,196
Supporting activities				
Administrative activities	1,167,267	-	-	1,167,267
Fundraising activities	<u>10,531</u>	<u>-</u>	<u>-</u>	<u>10,531</u>
Total expenses	6,319,994	-	-	6,319,994
Losses on allowance for capital campaign	<u>2,741</u>	<u>-</u>	<u>-</u>	<u>2,741</u>
Total expenses and losses	6,322,735	-	-	6,322,735
Change in net assets	722,942	502,990	19,692	1,245,624
Net assets, beginning of year	<u>8,560,062</u>	<u>2,627,643</u>	<u>1,245,347</u>	<u>12,433,052</u>
Net assets, end of year	<u>\$ 9,283,004</u>	<u>\$ 3,130,633</u>	<u>\$ 1,265,038</u>	<u>\$ 13,678,675</u>

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THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

	For the year ended December 31, 2012									
	Program Services					Supporting Activities				
	Conference Ministerial Support	World Service and Conference Benevolence	Other General and Jurisdictional Ministries	Other Conference Ministries	Total Program Services	Administrative Activities	Fundraising Activities	Total Supporting Activities	Total Expenses	
Salaries and wages	\$ 492,280	\$ 469,421	\$ -	\$ 1,000	\$ 962,700	\$ 325,614	\$ -	\$ 325,614	\$ 1,288,314	
Fringe benefit	201,495	169,753	-	77	371,325	135,786	-	135,786	507,111	
Total compensation	693,774	639,174	-	1,077	1,334,025	461,400	-	461,400	1,795,425	
Occupancy	51,366	42,143	-	37	93,546	90,070	-	90,070	183,616	
Telephone	11,968	8,248	-	1,829	22,045	11,962	-	11,962	34,007	
Postage and shipping	4,253	3,425	-	1,339	9,017	14,661	2,453	17,114	26,131	
Printing and publication	1,846	8,750	-	2,451	13,047	23,791	3,881	27,672	40,720	
Office supplies	5,242	5,003	-	3,846	14,091	3,696	6,758	10,455	24,546	
Program materials	-	40,689	-	10,396	51,085	-	-	-	51,085	
Professional fees	15,370	118,010	-	17,067	150,447	57,190	-	57,190	207,636	
Contract services	58,494	-	-	1,188	59,682	279,802	-	279,802	339,484	
Insurance	15,413	32,293	-	2,658	50,364	94,253	-	94,253	144,617	
Staff hotel, travel & meals	19,858	19,156	-	8,045	47,059	46,477	-	46,477	93,536	
Conference recruitment	60,167	-	-	-	60,167	-	-	-	60,167	
Meetings and retreats	15,518	19,380	-	91,869	126,767	38,215	-	38,215	164,981	
Conference vehicles	14,684	27,599	-	42,283	84,566	1,629	-	1,629	43,912	
Equipment	18,752	9,105	-	28,141	55,998	31,473	-	31,473	87,471	
Depreciation	53,178	56,825	-	4,448	114,451	20,713	-	20,713	135,164	
Interest	-	-	-	-	-	37,116	-	37,116	37,116	
Miscellaneous	1,114	1,760	-	3,578	6,452	29,399	-	29,399	35,851	
Grants	360,289	1,361,236	460,553	357,017	2,539,095	-	-	-	2,539,095	
Total functional expense	\$ 1,401,288	\$ 2,392,796	\$ 460,553	\$ 534,986	\$ 4,789,623	\$ 1,241,846	\$ 13,092	\$ 1,254,938	\$ 6,044,561	

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended December 31, 2011

	Program Services				Supporting Activities			Total Expenses	
	Conference Ministerial Support	World Service and Conference Benevolence	Other/General and Jurisdictional Ministries	Other Conference Ministries	Total Program Services	Administrative Activities	Fundraising Activities		Total Supporting Activities
Salaries and wages	\$ 564,568	\$ 484,617	\$ -	\$ 140	\$ 1,049,325	\$ 320,502	\$ -	\$ 320,502	\$ 1,369,827
Fringe benefit	231,097	173,165	-	11	404,273	135,889	-	135,889	540,162
Total compensation	795,666	657,781	-	151	1,453,598	456,391	-	456,391	1,909,989
Occupancy	45,839	67,810	-	-	113,649	78,004	-	78,004	191,653
Telephone	13,796	7,658	-	-	21,454	8,333	-	8,333	29,787
Postage and shipping	4,785	2,133	-	2,029	8,947	12,584	2,558	15,142	24,089
Printing and publication	1,666	1,535	-	2,962	6,164	24,901	4,905	29,806	35,969
Office supplies	6,018	5,015	-	405	11,437	3,995	1,097	5,092	16,529
Program materials	-	30,696	-	9,781	40,477	-	-	-	40,477
Professional fees	16,095	37,344	-	16,800	70,239	51,953	-	51,953	122,192
Contract services	78,065	-	-	936	79,001	224,634	-	224,634	303,635
Insurance	15,868	33,895	-	2,598	52,361	79,593	-	79,593	131,954
Staff hotel, travel & meals	17,879	17,831	-	4,543	40,253	15,127	-	15,127	55,380
Clergy recruitment	85,238	-	-	-	85,238	-	-	-	85,238
Meetings and retreats	16,666	34,249	-	106,434	157,349	39,764	1,372	41,136	198,485
Conference vehicles	16,138	25,556	-	-	41,694	-	-	-	41,694
Equipment	22,118	8,468	-	542	31,129	36,791	-	36,791	67,920
Depreciation	47,716	45,241	-	7,708	100,664	20,324	-	20,324	120,988
Debt service	-	1,391	-	3,082	6,251	43,249	-	43,249	43,249
Miscellaneous	1,778	-	-	-	1,778	71,624	600	72,224	74,402
Grants	346,885	1,227,617	450,867	796,924	2,822,293	-	-	-	2,822,293
Total functional expense	\$ 1,532,214	\$ 2,204,219	\$ 450,867	\$ 954,896	\$ 5,142,196	\$ 1,167,267	\$ 10,531	\$ 1,177,798	\$ 6,319,994

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31,	2012	2011
Cash flows from operating activities		
Change in net assets	\$ 1,312,579	\$ 1,245,624
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	135,164	120,988
Net realized and unrealized (gain) loss on investments	(554,418)	16,929
Gain on sale of property and equipment	(18,421)	(43,721)
Contributions restricted for long-term investments	-	(1,027,773)
Decrease (increase) in receivables	(33,237)	(16,760)
Decrease (increase) in prepaid expenses	193,443	(246,365)
Increase (decrease) in accounts payable and accrued expenses	77,017	9,082
Increase (decrease) in due to other organizations	34,854	3,041
Net cash provided by operating activities	<u>1,146,981</u>	<u>61,045</u>
Cash flows from investing activities		
Proceeds from sale of investments	758,757	1,171,690
Purchase of investments	(1,235,993)	(1,326,098)
Proceeds from sale of property and equipment	-	181,929
Purchase of property and equipment	(830,061)	(19,164)
Principal payments received on notes receivable	-	(49,518)
Net cash used in investing activities	<u>(1,307,297)</u>	<u>(41,161)</u>
Cash flows from financing activities		
Proceeds from borrowings on long-term debt	176,776	-
Principal repayments on long-term debt	(97,527)	(213,665)
Contributions received for long-term investment	410,894	643,633
Net cash provided by financing activities	<u>490,143</u>	<u>429,968</u>
Net increase in cash and cash equivalents	329,827	449,852
Cash and cash equivalents, beginning of year	<u>1,794,154</u>	<u>1,344,301</u>
Cash and cash equivalents, end of year	<u>\$ 2,123,981</u>	<u>\$ 1,794,154</u>
Supplemental information:		
Cash paid for interest	\$ 37,726	\$ 41,069

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

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Description of organization

The Kansas East Conference of The United Methodist Church and Affiliates (the Conference) is a not-for-profit organization representing approximately 324 member churches and ministries within the eastern one-third of the State of Kansas. The Conference provides various services for its member churches including credentialing, appointment and supervision of clergy; administration of health benefits and retirement plans available to member clergy and lay employees; and the collection of funds for remittance to various conferences, regional, national and global ministries. The Conference is primarily supported through apportionments and charitable contributions. Approximately 66% of the Conference's support came from apportionments in 2012 and 2011, respectively.

Nature of activities: The program services of the Conference are defined as follows:

- Conference ministerial support ministries: includes the credentialing, appointment, supervision, nurture and care for active and retired clergy members of the Conference.
- World Service and Conference benevolences: includes support for the World Service fund of The United Methodist Church and for Conference program ministries of church and society, discipleship, global ministries, congregational growth and development, and lay ministries.
- General and jurisdictional ministries: includes support for the Africa University, Black College Fund, Ministerial Education Fund, Lydia Patterson Institute, Mt Sequoyah, and Southern Methodist University Campus ministry.
- Other Conference ministries: include all other programs and ministries that do not fall under one of the categories listed above.

Note 2 – Summary of significant accounting policies

Basis of accounting

The Conference uses the accrual method of accounting. The assets and liabilities of the Conference are reported as one of three classes of net assets: unrestricted, temporarily restricted or permanently restricted.

Principles of consolidation

Generally accepted accounting principles require the Conference to consolidate entities in which it has control and an economic interest when that control is evidenced through majority ownership or voting interests. The Kansas East Annual Conference of The United Methodist Church has an economic interest in, and control of, the Board of Trustees of the Kansas East Conference of The United Methodist Church, Inc. (the Trustees), the Board of Pensions and Health Benefits of the Kansas East Conference of The United Methodist Church, Inc. (the Board of Pensions) and the Kansas East Conference Commission for New Church Development, Inc. (the New Church Development), through voting interests, and consolidation is required. The consolidated financial statements include the accounts of the Conference, the Trustees, the Board of Pensions and the New Church Development. All significant inter-company balances and transactions have been eliminated in consolidation.

Cash and cash equivalents

The Conference considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Conference has excluded cash held in or designated for investment accounts.

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Capitalization and depreciation

It is the policy of the Conference to capitalize property and equipment with a cost of \$5,000 or more. The capitalization threshold was increased from \$1,000 in August 2011. Lesser amounts are expensed at time of purchase or donation. Purchased property and equipment is capitalized at cost while donated property and equipment is recorded at estimated fair value. Property and equipment is depreciated over its estimated economic life using the straight-line method.

The ranges of estimated useful lives used in computing depreciation for financial statement purposes are as follows:

Buildings and improvements	40 years
Buildings and improvements	10 – 25 years
Office, vehicles, camp and equipment	5 – 7 years
Computer equipment	3 years

Investments

The Conference carries its debt and equity securities at fair value. Market risk could occur and is dependent on the future changes in market prices of the various investments held. Unrealized appreciation or depreciation is reported as an increase or decrease to net assets. Fair values of investments are based on quoted market values (Level 1 measurements) or, in the case of alternative investments, at estimated values provided by the fund managers based on quoted market prices for similar instruments (Level 2), if available, or other valuation methods (Level 3). These estimated values are reviewed by management for reasonableness. See footnote 5 for a schedule of fair value measurements.

Due to other organizations

Donations received with donor placed restrictions specifying that the funds must be paid out to certain other charities are recorded as a liability.

Contributions

The Conference records contributions, including promises to give (pledges), when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of assets or at the time the unconditional promise to give is made and is reported as increases in the appropriate category of net assets in accordance with donor restrictions. 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 statement of activities as net assets released from restrictions.

Income taxes

The Conference is a not-for-profit organization that is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and does not file income tax returns pursuant to a group exemption.

Classification of net assets

The Conference reports information regarding its financial position and activities according to three classes of net assets, defined as:

- Unrestricted – net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations. The Conference may designate portions of its unrestricted net assets as board designated for various purposes.

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Temporarily restricted – net assets resulting from contributions and other inflows of assets whose use by the Conference is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled or otherwise removed by actions of the Conference meeting the purpose of the restriction.
- Permanently restricted – net assets resulting from contributions and other inflows of assets whose use by the Conference is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Conference. Although such assets cannot be expended, the investment income earned on them is generally to be expended for a specific purpose.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 – Receivables

Receivables at December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Apportionments due from local UM churches	\$ 344,409	\$ 272,265
Capital campaign contribution pledges receivable	1,623,377	2,110,827
Beneficial interest in perpetual trust	11,112	10,699
Beneficial interest in trust receivable	25,000	-
Other receivables	49,523	37,287
Total receivables	<u>2,053,421</u>	<u>2,431,078</u>
Less: Non-current capital campaign pledges receivable	-	(1,622,875)
Current receivables	<u>\$ 2,053,421</u>	<u>\$ 808,203</u>

Apportionments

Amounts due from local United Methodist churches for apportionments consist of payments received during the first five business days in January of the subsequent year for the current budget year. The operating budget of the Conference is allocated to its member churches based upon a formula that takes into consideration local church operating income. Local churches are permitted to make payments through the first five business days of each succeeding year. Any apportionment amount not paid at that time is considered uncollectible and is not reflected as revenue or receivable.

Capital campaign

Since 2007, the Conference has conducted the Bridges to the Future fund raising campaign to raise \$5,350,000 over a three year, for personal pledges, or five year, for church pledges, time period. The funds raised will be used to fund strategic ministry objectives around Conference campus ministry, Camp Chippewa, new church starts and church revitalization ministries. The future cash receipts from the 2007 pledges are discounted at 3.45%, the 2008 pledges are discounted at 1.55%, while the 2009 pledges are discounted at 4.75%, to arrive at net present value.

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2012 and 2011, contributions receivable are as follows:

	<u>2012</u>	<u>2011</u>
Amount due within one year	\$ 1,829,153	\$ 487,952
Amount due in 2-5 years	-	1,820,867
	<u>1,829,153</u>	<u>2,308,819</u>
Allowance for uncollectible pledges	(175,426)	(160,378)
Present value discount	(30,350)	(37,614)
Net present value	<u>\$ 1,623,377</u>	<u>\$ 2,110,827</u>

Note 4 – Investments

The Conference has agreements with the Kansas Area United Methodist Foundation (the Foundation) and the General Board of Pensions and Health Benefits of The United Methodist Church (the General Board) in which the Foundation and the General Board act as agents and investment managers of the Conference's investments, as well as for other organizations related to The United Methodist Church. These investments are pooled into larger investment funds at the Foundation and the General Board. Fund investments are comprised of approved equity securities, fixed income and money market instruments in accordance with investment objectives and the Social Principles of The United Methodist Church. Investments at December 31, 2012 and 2011 consist of the following, at fair value:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 325,662	\$ 789,423
Negotiable certificates of deposit	657,005	224,715
Fixed income securities	136,371	575,230
US Government obligations	185,199	125,159
Equity securities	1,439,285	906,424
Pooled investments:		
Kansas Area United Methodist Foundation	426,098	407,936
General Board of Pensions	3,790,733	2,899,810
	<u>\$ 6,960,353</u>	<u>\$ 5,928,697</u>

The investments held at the Foundation are in a Global Moderate Growth and Income pooled fund. The goal of this fund is to maintain an asset allocation of 40% equities and 60% fixed income securities.

The investments held at the General Board are invested .2% in a short-term investment fund and 99.8% in the Multiple Asset Fund (MAF) for the years ended December 31, 2012 and 2011, respectively. The MAF asset allocation is 45% domestic stocks, 20% international stocks, 25% fixed income funds, and 10% inflation protection securities. Cost amounts for these investments are not available in 2012 or 2011 as the General Board did not report unrealized gains or losses separately from other investment earnings.

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Investment earnings for 2012 and 2011 consist of the following:

	2012	2011
Investment net earnings on General Board of Pensions and Health Benefits pooled investment	\$ 643,762	\$ 277,400
Investment earnings, other investments	49,589	55,538
Realized gain on sale of investments	34,694	113,828
Unrealized changes in market value	152,026	(140,568)
Less investment management fees	(23,239)	(23,409)
Net investment income	856,832	282,789
Interest income on cash deposits and checking accounts	6,383	3,678
Total investment income per statement of activities	<u>\$ 863,215</u>	<u>\$ 286,467</u>

Note 5 – Fair value measurements

FASB ASC 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and unobservable inputs. This hierarchy consists of three broad categories (levels) as follows.

- Level 1 – Fair values are based on quoted prices in active markets for identical assets or liabilities at the measurement date. This provides the most reliable fair value because it is directly observable.
- Level 2 – Fair values are based on inputs other than quoted prices included within Level 1 for valuing assets and liabilities, which are either directly or indirectly observable, and may include quoted prices for similar assets in active or non-active markets. Level 2 inputs may also include insignificant adjustments to market observable inputs.
- Level 3 – Fair values are based on unobservable inputs that are supported by little or no market activity that are significant to the fair value of assets or liabilities and as such, require significant judgment of estimation.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Conference evaluates its hierarchy disclosures based on various factors. It is possible that an asset or liability may be classified differently from year to year. However, the Conference expects that changes between the different levels will be rare.

Pooled investments are valued based on the fair value of securities underlying the pool as determined generally by quoted market prices.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Conference believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of the certain financial instruments could result in a different fair value measurement at the reporting date.

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the Conference's investments measured at fair value on a recurring basis as of December 31, 2012:

	Fair Value	Fair Value Measurements at Reporting Date	
		Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash and cash equivalents	\$ 325,662	\$ 325,662	\$ -
Negotiable certificates of deposit	657,005	657,005	-
Fixed income securities:			
Mutual obligations	27,102	27,102	-
US Agency obligations	132,939	132,939	-
US Government obligations	52,261	52,261	-
Fixed EFT	109,269	109,269	-
Mutual funds:			
Small-cap	229,645	229,645	-
Mid-cap	354,935	354,935	-
Large-cap	403,520	403,520	-
Equity income fund	451,185	451,185	-
Pooled investments:			
Kansas Area United Methodist Foundation	426,098	-	426,098
General Board of Pensions	3,790,733	-	3,790,733
Total	\$ 6,960,353	\$ 2,743,523	\$ 4,216,831

The following table presents the Conference's investments measured at fair value on a recurring basis as of December 31, 2011:

	Fair Value	Fair Value Measurements at Reporting Date	
		Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash and cash equivalents	\$ 789,423	\$ 789,423	\$ -
Negotiable certificates of deposit	224,715	224,715	-
Fixed income securities:			
Mutual obligations	52,155	52,155	-
US Agency obligations	393,150	393,150	-
US Government obligations	125,159	125,159	-
Fixed EFT	105,021	105,021	-
Corporate bonds	24,900	24,900	-
Mutual funds:			
Small-cap	142,223	142,223	-
Mid-cap	200,541	200,541	-
Large-cap	240,282	240,282	-
Equity income fund	323,382	323,382	-
Pooled investments:			
Kansas Area United Methodist Foundation	407,936	-	407,936
General Board of Pensions	2,899,810	-	2,899,810
Total	\$ 5,928,697	\$ 2,620,951	\$ 3,307,746

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 6 – Property and equipment

At December 31, 2012 and 2011, property and equipment consists of the following:

	2012	2011
Land	\$ 1,290,077	\$ 1,740,593
Land held for sale (see Note 7)	1,879,530	983,170
Construction in progress	3,147	6,141
Total property not depreciated	3,172,754	2,729,904
Buildings and improvements	2,467,663	2,204,553
Furniture, fixtures, and appliances	166,053	138,848
Office equipment	71,983	78,400
Vehicles	296,569	311,737
Camp farm and other equipment	74,960	67,727
	6,249,982	5,531,169
Less accumulated depreciation	(1,249,381)	(1,243,884)
	<u>\$ 5,000,601</u>	<u>\$ 4,287,285</u>

Depreciation expense for the year ended December 31, 2012 and 2011 was \$135,164 and \$120,988, respectively.

Note 7 – Land held for sale

Land held for sale, at cost at December 31, 2012 and 2011 consists of the following:

	2012	2011
46th and Button Road, Topeka, Kansas	\$ 328,262	\$ 191,367
3001 N 115th Street, Kansas City, Kansas	731,084	731,084
948 Central Ave, Kansas City, Kansas	60,719	60,719
167th and Kill Creek, Gardner, Kansas	759,465	-
Total land held for sale	<u>\$ 1,879,530</u>	<u>\$ 983,170</u>

During the year ended December 31, 2012, the Gardner, Kansas property was transferred from “land” to “land held for sale”.

Note 8 – Amounts due to (from) other organizations

The Conference receives certain donations which must be remitted to other charities in accordance with instructions from the donor. Amounts due to (from) other organizations at December 31, 2012 and 2011 are as follows:

	2012	2011
Amounts collected on behalf of the General Board of Global Ministries	\$ 58,680	\$ 23,099
Kansas East Conference advance special offerings	1,824	2,551
	<u>\$ 60,504</u>	<u>\$ 25,650</u>

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 9 – Long-term debt

	<u>2012</u>	<u>2011</u>
On October 24, 2001, the New Church Development entered into a \$600,000, 15 year promissory note with the Kansas Area United Methodist Foundation (the Foundation) for the purchase of property near Lawrence, Kansas. This note was refinanced and rolled into a new loan on June 1, 2011 for \$430,367, also with the Foundation. This note also carries a variable interest rate, which is 5.5% for 2012 and 2011 and is to be repaid over 10 years with monthly payments of approximately \$4,671. The loan is secured by a real estate mortgage.	\$374,225	\$408,724
On December 3, 2002, the New Church Development entered into a \$200,000, 15 year promissory note with the Foundation for the purchase of property in northwest Topeka, Kansas. The note carries a variable interest rate at the base-lending rate of the Foundation established on January 1st of each year. The rate for 2012 and 2011 is 5.25% and 5.5%, respectively. Payments are approximately \$1,676 per month through December 2017. This loan is secured by the land purchased with the loan proceeds.	87,607	102,687
On February 1, 2004, the New Church Development entered into a \$200,000, 15-year promissory note with the Foundation for the purchase of property near Basehor, Kansas. The note carries a variable interest rate that is 0.25% below the Foundation's base-lending rate established January 1st of each year. The rate for 2012 and 2011 is 5.00% and 5.25%, respectively. Payments are approximately \$1,641 per month through February 2019. This loan is secured by the land purchased with the loan proceeds.	102,130	116,330
On June 15, 2012, the New Church Development entered into \$176,776, one-year promissory note with the Foundation, maturing June 15, 2013. The note carries an interest rate of 5.25%, with interest only payments required before maturity. The note was subsequently refinanced at an initial interest rate of 5.0%, payable in monthly installments of \$1,172, beginning September 1, 2013, maturing in 2023.	176,776	-
On September 20, 2004, the Trustees established a \$175,000 line of credit with the Foundation for the purpose of purchasing, repairing, and remodeling a residence for the Kansas Area Bishop. The interest rate is 5.2% per annum with monthly payments recalculated in January of each year such that the line of credit is paid in full by October 1, 2019. Monthly payments are \$732 per month. This loan is secured by the assignment of the Hockens Estate investment fund on deposit with the Foundation, and it was paid in full in 2012.	-	<u>33,747</u>
Total long-term debt	<u>\$740,739</u>	<u>\$661,488</u>

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Aggregate maturities of long-term debt by year are as follows:

2013 (Current portion)	\$	241,544
2014		68,383
2015		72,199
2016		76,229
2017		100,865
Thereafter		181,519
	\$	<u>740,739</u>

Note 10 – Pension and post-retirement health insurance

The Conference provides the following pension benefit plans for clergy members of the Conference:

- **Ministers Reserve Pension Fund (MRPF):** The MRPF is a multi-employer defined benefit pension plan administered by the General Board of Pensions and Health Benefits (the General Board). The fund covers service prior to 1982 for substantially all clergy. Based on the actuarial projected total liability for current and future pensioners, this plan is presently fully funded. Therefore, the Conference was not required to pay and did not pay any contributions into the MRPF during the years ended December 31, 2012 and 2011.
- **Ministerial Pension Plan (MPP):** The MPP is a multi-employer defined contribution pension plan administered by the General Board. This plan covers service subsequent to 1981 and prior to 2007 for substantially all clergy. The plan requires the Conference to contribute 12% of each participant’s compensation limited to the denominational average compensation. The Conference was not required and did not pay any contributions into the MPP during the years ended December 31, 2012 and 2011.
- **Clergy Retirement Security Plan (CRSP):** For service subsequent to 2006, Conference clergy members and local pastors under Episcopal appointment are eligible for pension coverage under the Clergy Retirement Security Plan (CRSP). The CRSP is a multi-employer plan providing a combination of defined benefits and defined contributions. The defined contribution is 3% of the clergy’s plan compensation. The defined benefit is 1.25% of the Denomination Average Compensation times the number of service years accrued under the CRSP. The Conference contributed \$327,110 in 2012 and \$319,328 in 2011 for the defined contribution portion of the CRSP. In 2012 and 2011, \$1,322,139 and \$1,419,512, respectively was transferred from the Pre-82 Plan to cover the contribution.
- **Comprehensive Protection Plan (CPP):** Certain clergy members of the Conference are provided disability and death benefits as well as certain minimum benefits related to pension coverage through participation in the Comprehensive Protection Plan (CPP). During 2012 and 2011, the Conference paid \$305,873 and \$302,211, respectively, into the CPP plan.
- **Cumulative Pension and Benefit Fund:** Conference lay employees are eligible for retirement coverage under the Cumulative Pension and Benefit Fund (CPBF). The CPBF is a defined contribution plan which currently requires between 4% and 20% employer contribution. The Conference currently contributes 12% of all eligible participants’ compensation. The Conference contributed \$73,247 and \$71,782 for the year ended December 31, 2012 and 2011, respectively.
- **Personal Investment Plan:** Conference and local church personnel are eligible to participate in a defined contribution plan administered by the General Board. Contributions are limited by the Internal Revenue Code requirements for section 403(b) plans. No contributions are made to the plan by the Conference, as participants contribute to the plan directly.

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Conference provides health care benefits to full-time clergy, deacons, or to lay employees who are employed no less than 40 hours per week, and to their covered dependents. The Conference also sponsors a postretirement health benefit plan for all retired clergy and lay employees that meet eligibility requirements. Beginning January 1, 2009 the entire cost of the postretirement health benefit plan is charged to and paid by the retiree.

Clergy benefit expense is presented net of the amounts billed to member churches and clergy in the accompanying financial statements.

Note 11 – Related parties

The Conference and the Kansas West Conference of the United Methodist Church (KWC) share in a not-for-profit joint ministry, The United Methodist Campus Ministries in Kansas, Inc. (UMCM) for the purpose of supporting ministry to higher education institutions in Kansas. Trustees of UMCM are elected in equal numbers, not to exceed ten each from both annual conferences. The UMCM's primary source of revenue is contributions from the Conference and KWC. The Conference contributed \$191,458 each year to UMCM during the years ended December 31, 2012 and 2011.

The Conference and the Kansas West Annual Conference (KWC) of The United Methodist Church share in a not-for-profit foundation, the Kansas Area United Methodist Foundation (KAUMF). The Foundation holds and reinvests investments and holds notes payable from the Conference and KWC, as well as other United Methodist local churches. Trustees of the KAUMF are elected in equal numbers from both conferences.

KAUMF holds and reinvests investments and holds notes payable from the KEC and KWC, as well as other United Methodist local churches. The fair value of the investments held with KAUMF, as of December 31, 2012 and 2011 were \$426,098 and \$407,936, respectively of the investments presented in the financial statements.

11.

KEC and KWC each own a 50% share of the Kansas Bishop's auto and residence, including all improvements and furnishings. Title to the real estate is held in trust by the trustees of the conference in which the residence is located (KWC). Prior to September 1, 2012 the Episcopal expenses of the Kansas Bishop's office, auto and residence were shared 50/50 with KWC. Effective September 1, 2012, these expenses are shared by KEC, KWC and Nebraska United Methodist Conference equally.

In order to provide quality service to all United Methodist members and the United Methodist Churches in Kansas, the Conference and KWC have formed a partnership to join together to provide services with the KWC office in Wichita, with the expenses being shared 50/50 for select administrative and program positions. Any expenses related to projects unique to one conference or another are borne by the appropriate conference office. Beginning on July 1, 2012, salary expense for the Board of Ordained Ministry employees are shared one-third with each KEC, KWC and Nebraska Conferences. As of December 31, 2012 and 2011, there were no outstanding balances receivable or payable to KWC and Nebraska for shared employees.

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 12 – Endowments

The Conference's endowments consist of funds permanently restricted by donors. The Conference has not yet interpreted state law under the State Prudent Management of Institutional Funds Act (SPMIFA). Currently, the Conference classifies as permanently restricted net assets 1) the original value of gifts donated to the permanent endowment, 2) the original fair value of subsequent gifts donated to the permanent endowment, and 3) accumulations to the permanent endowment made in accordance with the instructions of the applicable gift instrument. Earnings not classified as permanently restricted are classified as temporarily restricted until expended in a manner consistent with the applicable gift instrument.

Endowment net asset composition as of December 31, 2012 and 2011 is as follows:

	2012			2011		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Pioneer fund	\$ 38,723	\$ 771,516	\$ 810,239	\$ 28,308	\$ 771,516	\$ 799,824
Ethnic minority local concerns	6,386	510,058	516,444	2,346	491,600	493,946
Institute centennial fund	-	1,942	1,942	-	1,922	1,922
Total	<u>\$ 45,109</u>	<u>\$ 1,283,517</u>	<u>\$ 1,328,625</u>	<u>\$ 30,654</u>	<u>\$ 1,265,038</u>	<u>\$ 1,295,692</u>

Changes in endowment net assets for the years ended December 31, 2012 and 2011 are as follows:

	2012			2011		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 30,654	\$ 1,265,038	\$ 1,295,692	\$ 103,124	\$ 1,245,346	\$ 1,348,470
Contributions	-	18,479	18,479	-	19,692	19,692
Interest and dividends	20,620	-	20,620	23,063	-	23,063
Net appreciation (depreciation)	60,795	-	60,795	(7,091)	-	(7,091)
Program expenditures	(66,960)	-	(66,960)	(88,442)	-	(88,442)
Endowment net assets, end of year	<u>\$ 45,109</u>	<u>\$ 1,283,517</u>	<u>\$ 1,328,625</u>	<u>\$ 30,654</u>	<u>\$ 1,265,038</u>	<u>\$ 1,295,692</u>

11.

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 13 – Restricted net assets

Net assets temporarily restricted at December 31, 2012 and 2011 are as follows:

	2012	2011
<u>Kansas East Conference Commission on New Church Development Inc.</u>		
Bishop's council fund	\$ 76,105	\$ 76,104
Pioneer fund, net earnings	38,723	28,308
 <u>Kansas East Conference of The United Methodist Church, Inc.</u>		
Board of global ministries:		
Hispanic ministries	3,163	3,163
Hahn estate gift	124,659	132,159
Wulfskuhle-Gingerich international scholarship fund	43,934	41,618
Camp Chippewa memorials / gifts	31,974	14,693
Ethnic minority local concerns endowment	6,386	2,346
Special Sunday offerings and askings	56,007	64,468
District program ministries	33,564	35,125
VIM and disaster relief funds	98,559	98,108
Bridges to the Future capital campaign	2,039,430	2,634,264
Other conference ministries	694	276
	\$ 2,553,198	\$ 3,130,633

Net assets permanently restricted at December 31, 2012 and 2011 are as follows:

	2012	2011
11. <u>Kansas East Conference Commission on New Church Development Inc.</u>		
Pioneer endowment fund	\$ 771,516	\$ 771,516
<u>Kansas East Conference of the United Methodist Church, Inc.</u>		
Ethnic minority local concerns endowment	510,058	491,600
Institute centennial fund	1,942	1,922
	\$ 1,283,517	\$ 1,265,038

The Pioneer Endowment Fund was started in 1981 as part of the "New Frontiers" program to establish new congregations. The goal is to raise a \$1 million permanent endowment fund for new congregations yielding approximately \$100,000 each year for establishing new congregations.

The Ethnic Minority Local Concerns Endowment was started in 1984, and reaffirmed in 1993. The current goal is to raise \$750,000 of permanently restricted funds with annual earnings to be used to address the concerns of ethnic minority local churches.

The Institute Centennial Fund was started in 2011 as part of the 100 year celebration of Institute gathering. The goal is to utilize the yearly interest earnings for scholarships and to underwrite annual institute costs.

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 14 – Concentrations

The Conference, New Church Development, Board of Trustees and Board of Pensions maintain cash in Capital City Bank invested in repurchase accounts secured by marketable securities. The total amount held in repurchase accounts at December 31, 2012 was \$1,834,916.

During 2011, there was a significant concentration in apportionment revenue from one church, which represented approximately 32% of the total apportionments received.

Note 15 – Subsequent events

Members of the Kansas East, Kansas West and Nebraska United Methodist Conferences voted in June 2012 to unify the three conferences into one conference, beginning January 1, 2014.

On May 22, 2013, New Church Development entered into a new promissory note in the amount of \$239,791 with the Kansas Area United Methodist Foundation for the purchase of property in Gardner, Kansas. The note bears interest at a rate of 5.25%, with payments to begin July 1, 2013.

Management has evaluated subsequent events through August 13, 2013, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**
CONSOLIDATING WORKSHEET – STATEMENT OF FINANCIAL POSITION

December 31,	2012					
	Kansas East Conference	Board of Trustees	Board of Pensions	Commission on New Church Development	Elimination of Intercompany Transactions	Consolidated Totals
Assets						
Current assets						
Cash and cash equivalents	\$ 718,141	\$ 410,308	\$ 772,583	\$ 222,949	\$ -	\$ 2,123,981
Receivables	1,990,710	48,902	37,152	559	(23,902)	2,053,421
Prepaid expenses	2,719	17,746	33,457	-	-	53,922
Total current assets	2,711,570	476,956	843,191	223,508	(23,902)	4,231,324
Non-current capital campaign pledge receivable	-	-	-	-	-	-
Investments	1,700,500	658,881	3,790,733	810,239	-	6,960,352
Property and equipment, net	-	2,332,818	-	2,667,783	-	5,000,601
Total assets	\$ 4,412,070	\$ 3,468,655	\$ 4,633,924	\$ 3,701,530	\$ (23,902)	\$ 16,192,277
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 367,951	\$ 930	\$ 5,210	\$ 49,593	\$ (23,902)	\$ 399,782
Due to other organizations	60,504	-	-	-	-	60,504
Current portion of long-term debt	-	-	-	241,544	-	241,544
Total current liabilities	428,455	930	5,210	291,137	(23,902)	701,830
Long-term debt, less current maturities	-	-	-	499,195	-	499,195
Total liabilities	428,455	930	5,210	790,331	(23,902)	1,201,024
Net assets						
Unrestricted	1,033,243	3,467,725	4,628,714	2,024,856	-	11,154,538
Temporarily restricted	2,438,370	-	-	114,827	-	2,553,198
Permanently restricted	512,001	-	-	771,516	-	1,283,517
Total net assets	3,983,615	3,467,725	4,628,714	2,911,199	-	14,991,253
Total liabilities and net assets	\$ 4,412,070	\$ 3,468,655	\$ 4,633,924	\$ 3,701,530	\$ (23,902)	\$ 16,192,277

THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.

CONSOLIDATING WORKSHEET – STATEMENT OF ACTIVITIES

For the year ended December 31, 2012

	Kansas East Conference	Board of Trustees	Board of Pensions	Commission on New Church Development	Elimination of Intercompany Transactions	Consolidated Totals
UNRESTRICTED NET ASSETS						
Revenues and gains						
Apportionments	\$ 4,567,097	\$ -	\$ -	\$ -	\$ -	\$ 4,567,097
Gifts and grants	16,888	154,138	-	94,942	-	265,968
Total contributions	4,583,985	154,138	-	94,942	-	4,833,065
Program service fees	337,004	-	-	-	-	337,004
Investment income (loss)	77,471	54,216	645,495	489	-	777,672
Sale of assets	2,956	18,421	-	-	-	21,377
Clergy benefits	-	589,477	-	-	-	589,477
Other income	5,466	373,308	32,496	(10,890)	-	400,380
Total revenues and gains	5,006,882	600,083	1,267,468	84,542	-	6,958,975
Release net asset restrictions	995,150	-	-	45,000	-	1,040,150
Satisfaction of purpose restriction	-	-	-	-	-	-
Total revenues, gains and release net asset restrictions	6,002,032	600,083	1,267,468	129,542	-	7,999,125
Expenses and losses						
Program services						
Conference ministerial support ministries	1,243,064	79,945	78,279	-	-	1,401,288
World service & conference benevolences	1,747,324	78,130	-	567,342	-	2,392,796
General and jurisdictional ministries	460,553	-	-	-	-	460,553
Other conference ministries	530,538	4,448	-	-	-	534,986
Total program services	3,981,479	162,523	78,279	567,342	-	4,789,623
Supporting activities						
Administrative activities	948,921	151,420	12,377	129,127	-	1,241,846
Fundraising activities	13,092	-	-	-	-	13,092
Total supporting activities	962,013	151,420	12,377	129,127	-	1,254,938
Total expenses	4,943,492	313,943	90,656	696,469	-	6,044,561
Losses on allowance for capital campaign	83,029	-	-	-	-	83,029
Total expenses and losses	5,026,521	313,943	90,656	696,469	-	6,127,590
Change in unrestricted net assets before transfers	975,511	286,140	1,176,812	(566,928)	-	1,871,534
Intercompany transfers	(853,222)	489,530	(319,090)	682,783	-	-
Change in net assets	122,289	776,670	857,722	115,855	-	1,871,534
Net assets, beginning of year	910,954	2,692,056	3,770,992	1,909,002	-	9,283,004
Net assets, end of year	\$ 1,033,243	\$ 3,467,725	\$ 4,628,714	\$ 2,024,857	\$ -	\$ 11,154,538

11.

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.**

CONSOLIDATING WORKSHEET – STATEMENT OF ACTIVITIES

For the year ended December 31, 2012						
	Kansas East Conference	Board of Trustees	Board of Pensions	Commission on New Church Development	Elimination of Intercountry Transactions	Consolidated Totals
TEMPORARILY RESTRICTED NET ASSETS						
Revenues and gains						
Special askings	\$ 144,501	\$ -	\$ -	\$ -	\$ -	\$ 144,501
Special Sunday offerings	45,943	-	-	-	-	45,943
Gifts and grants	186,728	-	-	-	-	186,728
Total contributions	377,172	-	-	-	-	377,172
Investment income	30,129	-	-	55,415	-	85,543
Total revenues and gains	407,301	-	-	55,415	-	462,715
Release net asset restrictions						
Satisfaction of purpose restriction	(995,150)	-	-	(45,000)	-	(1,040,150)
Change in net assets	(587,850)	-	-	10,415	-	(577,435)
Net assets, beginning of year	3,026,221	-	-	104,412	-	3,130,633
Net assets, end of year	\$ 2,438,371	\$ -	\$ -	\$ 114,827	\$ -	\$ 2,553,198
PERMANENTLY RESTRICTED NET ASSETS						
Revenues and gains						
Special askings	\$ 18,459	\$ -	\$ -	\$ -	\$ -	\$ 18,459
Gifts and grants	20	-	-	-	-	20
Total revenues and gains	18,479	-	-	-	-	18,479
Change in net assets	18,479	-	-	-	-	18,479
Net assets, beginning of year	493,522	-	-	771,516	-	1,265,038
Net assets, end of year	\$ 512,001	\$ -	\$ -	\$ 771,516	\$ -	\$ 1,283,517

**THE KANSAS EAST CONFERENCE OF
THE UNITED METHODIST CHURCH, INC.
CONSOLIDATING WORKSHEET – STATEMENT OF CASH FLOWS**

	For the year ended December 31, 2012								
	Kansas East Conference	Board of Trustees	Board of Pensions	Commission on New Church Development	Elimination of Intercompany Transactions	Consolidated Totals			
Cash flows from operating activities									
Change in net assets	\$ (447,082)	\$ 775,670	\$ 857,722	\$ 126,270	\$ -	\$ 1,312,579			
Adjustments to reconcile change in net assets to net cash provided by operating activities:									
Depreciation expense	-	134,819	-	345	-	135,164			
Net realized and unrealized (gain) loss on investments	(107,600)	(53,514)	(337,889)	(55,415)	-	(554,418)			
(Gain) loss on sale of property and equipment	-	(18,421)	-	-	-	(18,421)			
Decrease (increase) in receivables	7,896	(28,325)	(15,574)	(559)	3,325	(33,237)			
Decrease (increase) in prepaid expenses	1,000	(3,167)	195,610	-	-	193,443			
Increase (decrease) in accounts payable and accrued expenses	48,736	(16,146)	2,452	45,300	(3,325)	77,017			
Increase (decrease) in due to other organizations	34,854	-	-	-	-	34,854			
Net cash provided (used) by operating activities	(462,196)	790,916	702,321	115,941	-	1,146,981			
Cash flows from investing activities									
Proceeds from sale of investments	39,742	19,200	654,815	45,000	-	758,757			
Purchase of investments	(28,145)	-	(1,207,848)	-	-	(1,235,993)			
Proceeds from sale of property and equipment	-	-	-	-	-	-			
Purchase of property and equipment	-	(635,776)	-	(194,285)	-	(830,061)			
Net cash provided (used) by investing activities	11,597	(616,576)	(553,033)	(149,285)	-	(1,307,297)			
Cash flows from financing activities									
Proceeds from borrowings on long-term debt	-	-	-	176,776	-	176,776			
Principal repayments on long-term debt	-	(33,747)	-	(63,780)	-	(97,527)			
Contributions received for long-term purposes	410,894	-	-	-	-	410,894			
Net cash provided (used) by financing activities	410,894	(33,747)	-	112,996	-	490,143			
Net increase (decrease) in cash and cash equivalents	(39,705)	140,593	149,288	79,652	-	329,827			
Cash and cash equivalents, beginning of year	757,846	269,715	623,295	143,298	-	1,794,154			
Cash and cash equivalents, end of year	\$ 718,141	\$ 410,308	\$ 772,583	\$ 222,950	\$ -	\$ 2,123,981			
Supplemental information:									
Cash paid for interest	\$ -	\$ 2,536	\$ -	\$ 35,190	\$ -	\$ 37,726			