

**Associate Reformed Presbyterian
Retirement Plan
Financial Statements
for the years ended
December 31, 2006 and 2005**

Ron Millard, CPA P.A.

Certified Public Accountants

313 Mills Avenue

Greenville, South Carolina 29605

(864) 233-3846 • Fax (864) 233-3794

Ronald E. Millard, CPA

Michelle M. Moore, CPA

Independent Auditor's Report

To the Retirement Committee, Board of Benefits
Associate Reformed Presbyterian Retirement Plan

We were engaged to audit the financial statements of the Associate Reformed Presbyterian Retirement Plan as of December 31, 2006 and 2005. These financial statements are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information for the years ended December 31, 2006 and 2005, certified by the Sun Trust Bank of Atlanta, the trustee of the Plan, except for comparing such information (which is described in Note A) to the related information included in the financial statements. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2006 and 2005, and for the year ended December 31, 2006, that the information provided to the plan administrator by the trustee is complete and accurate.

As described in Note C, the Plan's last actuarial valuation was as of January 1, 2006. The plan administrator requests such valuations on a triennial basis.

Because of the significance of the information that we did not audit, we are unable to, and do not express an opinion on the accompanying financial statements taken as a whole. The form and content of the information included in the financial statements, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Ron Millard CPA P.A.

Ron Millard, CPA P.A.
Greenville, South Carolina
May 22, 2006

ASSOCIATE REFORMED PRESBYTERIAN RETIREMENT PLAN
Statement of Net Assets Available for Benefits
For the Years Ended December 31, 2006 and 2005

	<u>December 31</u>	
	<u>2006</u>	<u>2005</u>
Assets		
Investments, at fair value (Notes B and F):		
Money market funds	\$ 718,178	\$ 512,719
Corporate and government bonds	14,406,549	12,119,148
Common stocks and mutual funds	<u>25,777,869</u>	<u>24,043,196</u>
 Total investments	 40,902,596	 36,675,063
 Accrued interest and dividends receivable	 18,594	 22,125
Assets held by plan treasurer	<u>48,964</u>	<u>51,476</u>
 Total assets	 <u>40,970,154</u>	 <u>36,748,664</u>
 Liabilities		
Trustee fee payable	<u>(27,471)</u>	<u>(24,637)</u>
 Total liabilities	 <u>(27,471)</u>	 <u>(24,637)</u>
 Net assets available for benefits	 <u>\$ 40,942,683</u>	 <u>\$ 36,724,027</u>

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

ASSOCIATE REFORMED PRESBYTERIAN RETIREMENT PLAN
Statement of Changes in Net Assets Available for Benefits
For the Years Ended December 31, 2006 and 2005

	December 31	
	2006	2005
Investment income:		
Net appreciation in fair value of investments (Note F)	\$ 3,594,966	\$ 1,480,705
Interest and dividends	1,005,732	428,641
Other Income	65,536	908
	4,666,234	1,910,254
Less investment expenses	(105,413)	(125,983)
	4,560,821	1,784,271
Contributions (Note D):		
Churches	855,700	775,049
Synod and Agencies	176,478	169,318
Ola B. Hunter Trust	1,569	1,857
	1,033,747	946,224
Total additions	5,594,568	2,730,495
Benefits paid directly to participants	1,322,656	1,312,869
Administrative expenses	53,256	37,027
Total deductions	1,375,912	1,349,896
Net (decrease) increase	4,218,656	1,380,599
Net assets available for benefits:		
Beginning of year	36,724,027	35,343,428
End of year	\$ 40,942,683	\$ 36,724,027

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

ASSOCIATE REFORMED PRESBYTERIAN RETIREMENT PLAN
Notes to Financial Statements
Years Ended December 31, 2006 and 2005

A. Description of Plan

The following brief description of the Associate Reformed Presbyterian Retirement Plan provides only general information. Participants should refer to the Plan Text for more complete information.

1. *General.* The Plan is a noncontributory defined benefit plan covering substantially all ministerial and professional lay employees of the General Synod of the Associate Reformed Presbyterian Church. It is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) since it is a church affiliated plan.

2. *Pension Benefits.* Participants with three or more years of service are entitled to annual pension benefits, paid monthly, beginning at normal retirement age 65, (64 for those with 25 or more years of credited service) equal to 3.1% of their total career earnings as a participant. For Plan Years beginning on or after January 1, 1999, the Earnings of each Employee taken into account shall not exceed the pay threshold under Section 414(q)(1)(B)(i) of the Internal Revenue Code as adjusted for cost of living increases. The pay threshold was \$100,000 for 2006. In the event that the actuarial equivalent value of the benefit is less than \$1,000, the benefit will be paid in a lump sum settlement. The Plan permits early retirement at ages 60-64. The normal form of benefit for a participant without a spouse at the time of retirement shall be an annuity payable monthly for life. The normal form of retirement income for a participant who, at the time of retirement, has a spouse, shall be a retirement benefit adjusted actuarially from the normal form of benefit for a participant without a spouse, payable monthly during the participant's lifetime, with a retirement benefit to continue to the surviving spouse after the participant's death at the rate of 50% of the adjusted retirement benefit. With the consent of the participant's spouse, participants may elect to receive other joint and survivor annuities, a guaranteed annuity payable for a term certain, or an income benefit having an actuarial equivalent value equal to the other two options. For participants retiring prior to July 1, 1992, there is a minimum retirement benefit. For all participants, the maximum annual income to be received from the Plan may not exceed the lesser of the actuarial equivalent of a \$100,000 annual benefit (or such amount as shall be determined by the Commissioner of Internal Revenue of that calendar year) commencing at age 62 or the average earnings for the three consecutive years which produce the highest amount.

As of January 1, 2006 the date of the latest valuation, the actuarial present value of accrued benefits was as follows:

Vested benefits	
Active participants	\$ 11,965,012
Retirees/survivors	10,758,327
Terminated participants	<u>1,914,007</u>
Total vested benefits	24,637,346
Non-vested benefits	<u>3,217,412</u>
Total	<u>\$ 27,854,758</u>
<u>Net assets available for benefits at December 31, 2006</u>	
Total	<u>\$ 40,942,683</u>

A. Description of Plan (continued)

The weighted average assumed rate of return used in determining the actuarial present value of accrued benefits is eight percent.

The Plan was amended effective July 1, 2006, to provide an additional allowance, equal to 6.9% of Earnings credited prior to the date of retirement, for all Employees receiving benefits and who had retired from active service on or before July 1, 2006.

B. Summary of Significant Accounting Policies

1. *Basis of Accounting.* The accompanying financial statements of the Plan are prepared under the accrual method of accounting.
2. *Use of Estimates.* The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.
3. *Investment Valuation and Income Recognition.* If available, quoted market prices are used to value investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividends date.
4. *Actuarial Present Value of Accounting Plan Benefits.* The accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to the participants. Accumulated plan benefits include benefits expected to be paid to retired or terminated vested participants or their beneficiaries, spouses of deceased participants who were vested at their date of death, and present participants or their beneficiaries. The accumulated plan benefits for active participants are based on their level of earnings and completed years of service as of the valuation date of January 1, 2006. Benefits payable under all circumstances (retirement, death, and termination of employment) are included, to the extent they are deemed attributable to participant service rendered to the valuation date.

The actuarial present value of accumulated plan benefits is determined by an actuary from the SHDR Company and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of January 1, 2006, were (a) life expectancy of participants (the 1994 Group Annuity Mortality Table was used), (b) retirement age assumptions (the assumed average retirement was 65), and (c) investment return. The 2006 valuation included an assumed average rate of return of 8%, respectively. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

5. *Payment of Benefits.* Benefit payments to participants are recorded upon distribution.
6. *Survivor Income Benefit.* If a participant dies during a period in which earnings are payable or during a period of total disability in which the participant is eligible to receive disability benefit payments under a separately insured Synod or Synod Agency group long term disability plan, a monthly benefit equal to the lesser of \$800 or 20% of the participant's monthly earnings at the time of death will be paid to a surviving spouse. The benefit is payable, generally, to the spouse's attainment of age 65. The benefit for a spouse with one or more dependent children (or for a dependent child or children in the absence of a surviving spouse) will be the lesser of \$1,200 or 30% of the participant's monthly earnings at the time of death.

B. Summary of Significant Accounting Policies - continued

7. *Death Benefit.* Death benefit for a surviving Spouse or other designated beneficiary equal to 1 times the annual Earnings at time of death. This benefit will be applicable only if the Participant is accruing credit for Earnings at the time of death. This will be a taxable benefit.
8. *Qualified Preretirement Survivor Annuity.* In the event of death of a vested participant who is not eligible for retirement benefits, a deferred survivor benefit shall be paid to the surviving spouse in monthly installments beginning with the month commensurate with or next following the month in which the participant would have attained age 65. The amount of the benefit shall be the amount that would have been paid to a surviving spouse based on the participant's accrued benefit at the time of death as if the participant had terminated employment on the date of death, survived to age 65, retired, and died the next day.
9. *Termination.* Vested participants (partial vesting at three years, full vesting after seven years of credited service) whose employment has terminated in accordance with the Plan and prior to actual retirement shall be entitled to a retirement benefit deferred to the participant's normal retirement date. Benefits for terminated participants are determined by the Plan Text in effect at the time of termination of employment.

C. Financial Information Furnished by Trustee

SunTrust Bank, Atlanta is the trustee and SunTrust Bank and its affiliate, TRUSCO Capital Management, hold the Plan's assets, execute its transactions, and make the investment decisions under the terms of a trust agreement between the General Synod of the Associate Reformed Presbyterian Church and the trustee dated August 8, 1961, and amended April 28, 1965, and June 10, 1976.

The trustee furnished the information regarding investments held by the Plan at December 31, 2006, income related to such investments (realized and unrealized) and benefits paid to retirees for the year then ended.

The Retirement Committee of the Board of Benefits is the administrator of the Plan.

D. Contributions

The General Synod's policy is to fund the Plan in an amount equal to or greater than the minimum level suggested by the consulting actuary. In the opinion of the Plan's administrator, the current rate of contributions will be sufficient to cover future benefit payments and Plan expenses.

The actuarial computations of current and past service costs under the Plan are based on the aggregate method.

E. Plan Termination

In the event the plan terminates, the net assets of the Plan will be allocated to provide the following benefits in the order indicated:

1. Provision to retired participants of any remaining benefits to which they are entitled.
2. Provision to participants who are entitled to retire or to their beneficiaries for the remainder of the benefits to which they are entitled.
3. Provision to all other participants of the remainder of the benefits to which they are entitled.

F. Investments

The following table presents the fair value of investments. Investments that represent 5 percent or more of the Plan's net assets are separately identified.

	Fair Value at End of 2006	Fair Value at End of 2005
Investments at Fair Value as determined by Quoted Market Price		
Money Market Funds	\$ 718,178	\$ 512,719
SunTrust Retirement Fixed Income Fund	10,816,820	10,419,354
ING Mayflower TR Intl Value Fund	6,095,083	4,763,059
SunTrust Equities	3,589,729	3,300,328
Common Stocks	19,682,786	17,679,603
	<u>\$ 40,902,596</u>	<u>\$ 36,675,063</u>

During 2006 and 2005, the Plan's investments (including gains and losses bought and sold as well as held during the year) appreciated in value by \$3,594,966 and \$1,480,705, respectively, as follows:

Net appreciation (depreciation) in fair value

	December 31	
	2006	2005
SunTrust Retirement Fixed Income Fund	\$ (90,510)	\$ 291,219
ING Mayflower Tr Intl Value Fund	1,291,095	466,992
SunTrust Equities	283,641	319,290
Common Stocks and Mutual Funds	2,110,740	403,204
	<u>\$ 3,594,966</u>	<u>\$ 1,480,705</u>

G. Tax Status

The Internal Revenue Service has notified the General Synod that the Plan is a qualified trust under Internal Revenue Code Section 401(a) and is exempt from federal income taxes under Section 501(a) of the Code. However, benefit payments are taxable to the recipients, except for designated housing allowances for ordained ministers. The Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable provisions of the Internal Revenue Code.

H. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.