

**HIGHER EDUCATION AND LEADERSHIP MINISTRIES
OF THE CHRISTIAN CHURCH (DISCIPLES OF CHRIST)
DECEMBER 31, 2007 -**

MARE AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

330 North Fourth Street, Suite 304

St. Louis, Missouri 63102-2008

April 18, 2008

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Higher Education and Leadership Ministries
of the Christian Church (Disciples of Christ)
St. Louis, Missouri

We have audited the accompanying statement of financial position of Higher Education and Leadership Ministries of the Christian Church (Disciples of Christ), (HELM), (a nonprofit organization), as of December 31, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of HELM'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 HELM as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mare and Company

**HIGHER EDUCATION AND LEADERSHIP MINISTRIES
OF THE CHRISTIAN CHURCH (DISCIPLES OF CHRIST)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007
EXHIBIT A**

	December 31, 2007	<i>Comparative Totals For 2006</i>
<u>Assets</u>		
<u>Current Assets</u>		
Cash	\$ 56,177	\$ 230,962
Due from Church Finance Council	36,915	40,710
Other contributions receivable	16,825	6,904
Interest receivable	16,765	19,248
Prepaid expenses	8,767	48,400
<u>Total Current Assets</u>	<u>\$ 135,449</u>	<u>\$ 346,224</u>
<u>Fixed Assets</u>		
Furnishings and equipment	\$ 46,891	\$ 54,113
Accumulated depreciation	(33,421)	(52,358)
<u>Total Fixed Assets</u>	<u>\$ 13,470</u>	<u>\$ 1,755</u>
<u>Investments</u>		
Money funds held by broker	\$ 188,213	\$ 269,206
Certificates of deposit	534,000	534,000
Government bonds	581,410	559,690
Corporate bonds	23,841	146,442
Mutual funds	500,000	
Common stocks	3,437,648	3,780,355
<u>Total Investments</u>	<u>\$ 5,265,112</u>	<u>\$ 5,289,693</u>
<u>Total Assets</u>	<u>\$ 5,414,031</u>	<u>\$ 5,637,672</u>
<u>Liabilities And Net Assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 3,680	\$ 3,607
Loan payable - Lindell Bank	150,000	295,000
Funds held for Bethany Fellowships	637,854	734,986
<u>Total Liabilities</u>	<u>\$ 791,534</u>	<u>\$ 1,033,593</u>
<u>Net Assets</u>		
Unrestricted	\$ 2,040,982	\$ 2,054,499
Temporarily restricted	896,862	891,686
Permanently restricted	1,684,653	1,657,894
<u>Total Net Assets</u>	<u>\$ 4,622,497</u>	<u>\$ 4,604,079</u>
<u>Total Liabilities And Net Assets</u>	<u>\$ 5,414,031</u>	<u>\$ 5,637,672</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

HIGHER EDUCATION AND LEADERSHIP MINISTRIES
OF THE CHRISTIAN CHURCH (DISCIPLES OF CHRIST)
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007
EXHIBIT B

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Year Ended December 31, 2007</u>	<u>Comparative Totals For 2006</u>
Revenues, Gains And Other Support					
Contributions from Church Finance Council					
General allocation	\$ 187,328	\$	\$	\$ 187,328	\$ 206,235
Other allocations	33,294			33,294	11,965
Designated allocations	38,683			38,683	42,410
Other contributions	219,644	9,751	18,699	248,094	185,503
Sundry income	24,165			24,165	14,767
Net investment income	210,662			210,662	555,897
Investment allocation	(82,772)	74,712	8,060		
Net assets released from restrictions	79,287	(79,287)			
Total Revenues, Gains And Other Support	\$ 710,291	\$ 5,176	\$ 26,759	\$ 742,226	\$ 1,016,777
Expenses					
Program services	\$ 557,489	\$	\$	\$ 557,489	\$ 446,908
Management and general	134,064			134,064	136,515
Fundraising	32,255			32,255	33,159
Total Expenses	\$ 723,808	\$ -	\$ -	\$ 723,808	\$ 616,582
Change In Net Assets	\$ (13,517)	\$ 5,176	\$ 26,759	\$ 18,418	\$ 400,195
Net Assets - Beginning Of Year	2,054,499	891,686	1,657,894	4,604,079	4,203,884
Net Assets - End Of Year	\$ 2,040,982	\$ 896,862	\$ 1,684,653	\$ 4,622,497	\$ 4,604,079

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**HIGHER EDUCATION AND LEADERSHIP MINISTRIES
OF THE CHRISTIAN CHURCH (DISCIPLES OF CHRIST)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2007
EXHIBIT C**

	Program Services	Management And General	Fundraising	Year Ended December 31, 2007	<i>Comparative Totals For 2006</i>
<u>Operating And General Expenses</u>					
Salaries	\$ 138,374	\$ 68,132	\$ 16,550	\$ 223,056	\$ 220,822
Employee benefits	33,613	20,138	3,165	56,916	54,664
Payroll taxes	7,311	3,297	206	10,814	10,782
Dues and subscriptions	293	216	23	532	738
Communications	5,675	2,924	516	9,115	7,853
Maintenance and supplies	7,216	4,086	721	12,023	13,879
Professional fees	2,204	8,749	5,405	16,358	15,773
Office rental expense	30,706	17,400	3,071	51,177	49,782
Depreciation	1,174	665	117	1,956	997
Travel and meetings	10,271	8,457	184	18,912	24,395
Other expenses	1,335		2,297	3,632	3,819
<u>Programmatic Services</u>					
Campus ministry	252			252	5,363
Colleges and universities	20,913			20,913	417
Theological education	7,606			7,606	1,034
General Assembly	10,152			10,152	
General services	747			747	1,112
<u>Fund Account Grants And Expenses</u>					
Designated scholarship grants	70,271			70,271	75,186
Designated special grants					
College and university grants	44,543			44,543	30,363
Higher education interpretation	33,203			33,203	(5,275)
Postgraduate support	34,903			34,903	44,640
Seminarian					400
Programmatic endowments	30,467			30,467	8,361
Institutional endowments	19,760			19,760	19,477
Scholarship endowments	46,500			46,500	32,000
Total Expenses	\$ 557,489	\$ 134,064	\$ 32,255	\$ 723,808	\$ 616,582

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**HIGHER EDUCATION AND LEADERSHIP MINISTRIES
OF THE CHRISTIAN CHURCH (DISCIPLES OF CHRIST)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007
EXHIBIT D**

	Year Ended December 31, 2007	<i>Comparative Totals For 2006</i>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 18,418	\$ 400,195
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized gains on marketable securities	(163,803)	(502,385)
Depreciation	1,956	997
Decrease (increase) in operating assets:		
Due from Church Finance Council	3,795	(670)
Other contributions receivable	(9,921)	950
Interest receivable	2,483	(4,922)
Prepaid expenses	39,633	(39,390)
Increase (decrease) in operating liabilities:		
Accounts payable	73	(3,299)
Funds held for Bethany Fellowships	(97,132)	(129,396)
	<u>\$ (204,498)</u>	<u>\$ (277,920)</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of fixed assets	\$ (13,671)	\$ (2,272)
Proceeds from sales of marketable securities	3,186,702	3,637,145
Purchases of marketable securities	(3,079,311)	(3,211,678)
Redemptions of certificates of deposit - net		75,000
	<u>\$ 93,720</u>	<u>\$ 498,195</u>
<u>Cash Flows From Financing Activities</u>		
Net draws (payments) on loan payable - Lindell Bank	\$ (145,000)	\$ 60,000
<u>Increase (Decrease) In Cash And Cash Equivalents</u>	\$ (255,778)	\$ 280,275
<u>Cash And Cash Equivalents - Beginning Of Year</u>	500,168	219,893
<u>Cash And Cash Equivalents - End Of Year</u>	<u>\$ 244,390</u>	<u>\$ 500,168</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATIONAL DATA

The Higher Education and Leadership Ministries of the Christian Church (Disciples of Christ), (HELM), is a unit of the Christian Church (Disciples of Christ). HELM's mission is to nurture men and women, both lay and clergy, for transformational leadership in the Church and the wider human community in partnership with the Church's institutions of higher education and with its congregations, regions and general ministries. HELM accomplishes this mission by funding scholarships, providing grants to certain institutions, and offering programs and activities related to its mission. In 1977, a special unit of the Christian Church (Disciples of Christ) was created, The Division of Higher Education (Disciples of Christ), dedicated to the nurturing of higher education institutions. In 2004, the organization's name was changed to Higher Education and Leadership Ministries to reflect the organization's expanded ministry. Currently, HELM is affiliated with 17 universities and colleges and 10 theological institutions.

HELM is located in St. Louis, Missouri, and is exempt from Federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, pursuant to a group exemption letter issued in 1959 to the General Assembly of the Christian Church (Disciples of Christ).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A) Basis of Accounting

These financial statements have been prepared utilizing the accrual basis of accounting. These financial statements use the accounting presentation set forth in Statement of Financial Accounting Standards (SFAS) No. 117 *Financial Statements of Not-for-Profit Organizations* as supplemented by the AICPA Audit and Accounting Guide *Not-for-Profit Organizations* (June 1, 1996), prepared by the American Institute of Certified Public Accountants' Not-for-Profit Organizations Committee.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) Basis of Accounting (Continued)

HELM also follows the guidance set forth in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, which requires unconditional promises to give beyond one year to be recorded at discounted present values, and all contributions to be recorded as income in the year they are made and classified according to the specified intentions of the donors. HELM has established a policy to record support that is restricted by the donor but whose restriction expires in the same reporting period as unrestricted contributions.

In accordance with SFAS No. 124 *Accounting for Certain Investments Held by Not-for-Profit Organizations*, those investments in securities with readily available market values are valued at market. Investments received by gift are recorded at their respective market values.

HELM classifies its net assets under three categories in accordance with SFAS No. 117. These classifications and the associated funds are as follows:

Unrestricted Net Assets are those resources that are used in the daily operations of HELM or at the discretion of management and the Board of Directors.

Temporarily Restricted Net Assets are those resources that are restricted to particular purposes by outside parties. The use of these funds is limited to those purposes approved by the donors of these net assets. Net assets released from restrictions are amounts transferred for scholarships or operations in accordance with the donors' wishes. The following is a schedule of those funds which comprise the Temporarily Restricted Net Assets of HELM:

<u>Restricted Scholarship Funds</u>	
Alvin and Elsie East College Scholarship Fund	\$ 834,582
Fisher-Downing Scholarship Fund	2,633
Burnett Christian Church Scholarship Trust Earnings	7,045
Tougaloo Scholarship Earnings	<u>52,602</u>
<u>Total Temporarily Restricted Net Assets</u>	<u>\$ 896,862</u>

Permanently Restricted Net Assets are endowments. An endowment, consisting of the original donation and any additions thereto (the corpus), must be maintained in perpetuity. HELM has historically accepted an endowment with the understanding that all additional gifts and a fixed percentage of investment income or losses (calculated using a three-year moving

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****A) Basis of Accounting (Continued)**

average) are to be allocated to corpus. A percentage of investment income is also transferred to HELM's Operating Fund to partially offset administrative costs. The following is a schedule of those endowment funds which comprise the Permanently Restricted Net Assets of HELM:

<u>General Endowments</u>	
May S. Dickinson Memorial	\$ 15,245
Aril R. Ducker Memorial	1,712
General Endowment	20,543
John A. Shreck, M.D.	2,342
Dr. Harlie L. Smith Memorial	1,213
	<u>\$ 41,055</u>
<u>Programmatic Endowments</u>	
Ethnic Minority Ministries	\$ 102,385
James I. Spainhower Campus Ministry	16,008
Raymond McCallister Campus Ministries	58,630
Polity Orientation	61,684
T. A. Abbott Award	21,096
	<u>\$ 259,803</u>
<u>Institutional Endowments</u>	
Letterman Trust	\$ 10,552
Post-Coler-Iden Memorial	79,097
Tougaloo Trust	248,360
	<u>\$ 338,009</u>
<u>Scholarship Endowments</u>	
Aline and Arnold Abrams Scholarship	\$ 34,166
Beasley Scholarship	142,449
Burnett Christian Church Scholarship Trust	34,656
HELM Capital Composite	236,083
Church of Christ Uniting Scholarship	23,703
Ann E. Dickerson	74,134
William Gilbert and Anna Florence Leonard Jones	32,497
Palm Lake Christian Church	116,522
Sherman and Lora Hanson Scholarship	32,121
Oklahoma Capital	42,443
Rollen and Lecta Robinson	140,312
HELM Seminarian Scholarship	17,077
Magdalena Stukey	29,089
Tougaloo Scholarship	61,934
Clyde M. West Scholarship	28,600
	<u>\$ 1,045,786</u>
<u>Total Permanently Restricted Net Assets</u>	<u>\$ 1,684,653</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)A) Basis of Accounting (Continued)

Investment allocations from endowments that designate income for operating purposes are recorded directly in the Unrestricted Operating Fund. Investment allocations from endowments that designate income for purposes other than operations are recorded in the related Endowment Earnings Funds until expended for the designated purposes.

B) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents include cash and money funds on deposit with brokers. Investment with an initial maturity of three months or less are also considered to be cash equivalents.

C) Contributions Receivable

HELM expects to collect in full all amounts recorded as due from Church Finance Council and as other contributions receivable at December 31, 2007. Accordingly, no allowance for uncollectible accounts receivable has been recorded in these financial statements. Since all contributions receivable are expected to be collected within one year, no discounts have been recorded.

D) Fixed Assets

Major acquisitions of furniture and equipment are valued at cost when purchased or at fair value if donated. Fixed assets are depreciated on a straight-line basis over the assets' estimated useful lives. Depreciation for 2007 was \$1,956.

E) 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 certain estimates and assumptions that affect the reported assets, liabilities, and activities as of and for the year ended December 31, 2007. Accordingly, actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) Interest and Income Taxes

For purposes of the Statement of Cash Flows, HELM paid a total of \$10,439 during the year ended December 31, 2007. No amounts were paid for income taxes.

NOTE 3 – INVESTMENTS

Investments as of December 31, 2007, consisted of the following:

	<u>Market</u>	<u>Cost</u>
Money funds held by broker	\$ 188,213	\$ 188,213
Certificates of deposit	534,000	534,000
Government bonds	581,410	576,718
Corporate bonds	23,841	23,555
Mutual Funds	500,000	500,000
Common stocks	3,437,648	3,071,946
	<u>\$ 5,265,112</u>	<u>\$ 4,894,432</u>

Income from investments totaled \$241,952 for the year ended December 31, 2007. HELM borrowed funds from Lindell Bank to maintain the composition of its portfolio of long-term securities. Investment income is shown net of the appropriate amount of interest paid on the loan, which totaled \$10,439. Investment income is also shown net of money manager and brokerage fees, which totaled \$54,869. HELM recognized net realized and unrealized gains of \$163,803 on its investments during the year ended December 31, 2007.

NOTE 4 - LOAN PAYABLE - LINDELL BANK

On June 20, 2001, HELM entered into a credit agreement with Lindell Bank and Trust whereby HELM has been provided a line of credit of up to \$500,000. In May 2007, this agreement was extended through the maturity date. Interest, charged at a variable rate, is to be paid monthly and the principal balance is due on May 20, 2008, if no prior demands are made by the lender. The loan is secured by securities held by HELM at Merrill Lynch. During the year ended December 31, 2007, interest on the line of credit totaling \$10,439 was allocated entirely against its investment income. At December 31, 2007, the applicable interest rate for the line of credit was 7.25% and the outstanding balance was \$150,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - FUNDS HELD FOR BETHANY FELLOWSHIPS

In 2005, HELM received \$909,500 from Lilly Endowment, Inc. to fund a program beginning on March 1, 2005, and extending through March 31, 2010, that provides for the continuation of the Bethany Fellowships. Bethany Fellowships provide support for ministers in their first five years of congregational leadership. Disbursements for the program are made in accordance with a grant agreement between HELM and Lilly Endowment, Inc. HELM manages the finances and oversees the financial and program reporting and collects a nominal annual fee for its administration of the program. At December 31, 2007, HELM held \$637,854 for Bethany Fellowships.

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS

In 2007, Temporarily Restricted Net Assets were released for the following purposes:

Restricted scholarship grants	\$ 60,271
Institutional endowments	14,516
Scholarship endowments	<u>4,500</u>
	<u>\$ 79,287</u>

NOTE 7 - PENSION PLAN

Employees of HELM participate in a contributory, defined benefit pension plan administered by the Pension Plan of The Christian Church (Disciples of Christ). Pension expense was \$29,822 for the year ended December 31, 2007. As of December 31, 2007, the date of the latest actuarial valuation of the Plan, the market value of Plan assets exceeded the actuarial value of vested benefits. All prior service costs have been funded.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - TAYLOR SCHOLARSHIP FUND

In 1992, HELM and the First Christian Church of Winterset, Iowa, reached an agreement whereby HELM is to manage the assets of the Church's Charles W. and Lois H. Taylor Scholarship Fund. However, control of the Fund's net assets and activities is retained by the Church. Consequently, the assets, liabilities, and activities of the Fund are not recorded in these financial statements. According to the agreement, HELM invests the assets of the Fund within the guidelines set forth by the Church. Those guidelines state that a percentage of a moving average of the investment portfolio's value be distributed each year. HELM makes disbursements for scholarships to those students designated by the Church. Fixed percentages of the annual distribution are made available for scholarships and a fixed percentage is paid to the Church's Building Fund. A fixed percentage of the annual distribution is also paid to HELM for its management of these funds. In 2007, HELM charged the Fund \$6,594 for its service

NOTE 9 - LEASES

In April 2003, HELM entered in a lease with Golfview Members, L.L.C. for office space. The term of the initial lease was from May 15, 2003 through October 14, 2008. On November 8, 2007, the lease was amended to extend the term through October 31, 2013 with ratable rent increase during the extended time period.

HELM also has operating leases on a copier within monthly payments through November 2010 and a postal mailing system with quarterly payments through December 2011.

Lease payments charged to expense totaled \$59,926 in 2007. A schedule of HELM's future minimum annual lease payments under its leases is as follows:

<u>Year Ended</u> <u>December 31,</u>	
2008	\$ 56,154
2009	\$ 59,148
2010	\$ 59,098
2011	\$ 57,423
2012	\$ 55,575
2013	\$ 47,250

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) ----

NOTE 10 - CONCENTRATIONS

HELM receives a significant portion of its public support from the Church Finance Council of the Christian Church (Disciples of Christ). During the year ended December 31, 2007, HELM received a total of \$259,305 from the Church Finance Council for its operations and for funding the College/University grant program.

In the course of its ministry and its administration of the Bethany Fellowships described in Note 4, HELM has operating funds and investments in certificates of deposit at Lindell Bank & Trust in excess of insured limits. At December 31, 2007, HELM had \$418,345 on deposit with Lindell Bank & Trust, of which \$100,000 was insured by the F.D.I.C.