

FREE CHURCH MINISTERS'
AND MISSIONARIES'
RETIREMENT PLAN AND
FCMM BENEFITS

Financial Statements
With Independent Auditors' Report

December 31, 2013

**FREE CHURCH MINISTERS' AND MISSIONARIES'
RETIREMENT PLAN AND
FCMM BENEFITS**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Free Church Ministers' and Missionaries' Retirement Plan and
FCMM Benefits
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the Free Church Ministers' and Missionaries' Retirement Plan and FCMM Benefits (the Plans), which comprise the statements of net assets available for benefits and of accumulated plan benefits as of December 31, 2013, and the related statements of changes in net assets available for benefits and of changes in accumulated plan benefits for the year ended December 31, 2013, 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 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 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 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 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 Plan'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 Plan'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.

Board of Trustees
Free Church Ministers' and Missionaries' Retirement Plan and
FCMM Benefits
Minneapolis, Minnesota

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits and financial status of the Plans as of December 31, 2013, and the changes in net assets available for benefits and financial status for the year ended December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2012 financial statements of the Free Church Ministers' and Missionaries' Retirement Plan, and our reported dated May 8, 2013, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of statement of net assets available for benefits—by portfolio and statement of changes in net assets available for benefits—by portfolio are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Capin Crouse LLP

Wheaton, Illinois
May 23, 2014

**FREE CHURCH MINISTERS' AND MISSIONARIES'
RETIREMENT PLAN AND FCMM BENEFITS**

Statement of Net Assets Available for Benefits – Retirement Plan
December 31, 2013
(With Comparative Totals for 2012)

	Program A	Program C	Program D	Program E	Program F	Program G	Program H	Program J	Total 2013	Total 2012
ASSETS:										
Investments at fair value:										
Pooled investment assets	\$ 69,259,497	\$ 43,994,601	\$ 23,060,140	\$ 4,499,265	\$ -	\$ -	\$ -	\$ -	\$ 140,813,503	\$ 119,573,895
Other investments	-	-	-	-	21,118,499	13,411,029	1,329,214	22,379	35,881,121	26,222,399
Total investments at fair value	69,259,497	43,994,601	23,060,140	4,499,265	21,118,499	13,411,029	1,329,214	22,379	176,694,624	145,796,294
Cash	764,253	-	-	-	75,240	81,903	4,520	8,541	934,457	1,196,175
Accrued interest income	39,000	-	-	-	-	-	-	-	39,000	30,600
Prepaid expenses	-	-	-	-	-	-	-	-	-	284,745
Software	25,510	-	-	-	-	-	-	-	25,510	20,335
Total Assets	70,088,260	43,994,601	23,060,140	4,499,265	21,193,739	13,492,932	1,333,734	30,920	177,693,591	147,328,149
LIABILITIES:										
Federal income tax withheld	308	-	-	-	-	-	-	-	308	2,371
Accounts payable	16,801	-	-	-	-	-	-	-	16,801	16,499
Due to FCMM Benefits	66,542	-	-	-	-	-	-	-	66,542	-
Due to related party	2,961	-	-	-	-	-	-	-	2,961	58,644
Total Liabilities	86,612	-	-	-	-	-	-	-	86,612	77,514
Net Assets Available for Benefits	\$ 70,001,648	\$ 43,994,601	\$ 23,060,140	\$ 4,499,265	\$ 21,193,739	\$ 13,492,932	\$ 1,333,734	\$ 30,920	\$ 177,606,979	\$ 147,250,635

See notes to financial statements

**FREE CHURCH MINISTERS' AND MISSIONARIES'
RETIREMENT PLAN AND FCMM BENEFITS**

Statement of Changes in Net Assets Available for Benefits – Retirement Plan
December 31, 2013
(With Comparative Totals for 2012)

	Program A	Program C	Program D	Program E	Program F	Program G	Program H	Program J	Total 2013	Total 2012
ADDITIONS TO NET ASSETS:										
Investment income:										
Net appreciation (depreciation) in fair value of investments	\$ 9,213,960	\$ 4,586,483	\$ 3,511,379	\$ (197,668)	\$ 3,108,197	\$ 1,689,102	\$ -	\$ 1,188	\$ 21,912,641	\$ 12,352,490
Dividends	1,717,021	1,185,211	581,610	172,879	-	-	23,391	-	3,680,112	3,224,789
Interest	795	-	-	-	-	-	-	-	795	14,280
	<u>10,931,776</u>	<u>5,771,694</u>	<u>4,092,989</u>	<u>(24,789)</u>	<u>3,108,197</u>	<u>1,689,102</u>	<u>23,391</u>	<u>1,188</u>	<u>25,593,548</u>	<u>15,591,559</u>
Less investment expenses:										
Fund management fees	84,580	55,853	43,992	-	-	-	-	-	184,425	185,679
Consulting and advisory fees	70,480	43,676	29,593	3,092	-	-	-	-	146,841	110,584
	<u>10,776,716</u>	<u>5,672,165</u>	<u>4,019,404</u>	<u>(27,881)</u>	<u>3,108,197</u>	<u>1,689,102</u>	<u>23,391</u>	<u>1,188</u>	<u>25,262,282</u>	<u>15,295,296</u>
Employer contributions	-	3,211,586	1,437,868	84,237	1,234,225	947,426	54,386	9,396	6,979,124	6,887,958
Employee contributions	-	109,411	707,486	465,727	1,174,376	926,635	119,506	6,659	3,509,800	3,245,753
Roll-in contributions	-	36,782	215,565	156,290	309,932	53,238	4,172	-	775,979	3,446,711
	<u>10,776,716</u>	<u>9,029,944</u>	<u>6,380,323</u>	<u>678,373</u>	<u>5,826,730</u>	<u>3,616,401</u>	<u>201,455</u>	<u>17,243</u>	<u>36,527,185</u>	<u>28,875,718</u>
DEDUCTIONS FROM NET ASSETS:										
Benefits paid to participants	3,265,525	496,170	626,614	129,751	288,185	416,853	42,926	-	5,266,024	4,528,535
Administrative expenses	459,493	273,909	139,448	31,967	-	-	-	-	904,817	899,283
	<u>3,725,018</u>	<u>770,079</u>	<u>766,062</u>	<u>161,718</u>	<u>288,185</u>	<u>416,853</u>	<u>42,926</u>	<u>-</u>	<u>6,170,841</u>	<u>5,427,818</u>
Net increase before reduction										
in contingent sales charge and transfers	7,051,698	8,259,865	5,614,261	516,655	5,538,545	3,199,548	158,529	17,243	30,356,344	23,447,900
Program to Program transfers	-	98,690	(309,990)	(494,854)	97,528	317,227	277,722	13,677	-	-
Reduction in contingent sales charge	-	-	-	-	-	-	-	-	-	100,000
	<u>7,051,698</u>	<u>8,358,555</u>	<u>5,304,271</u>	<u>21,801</u>	<u>5,636,073</u>	<u>3,516,775</u>	<u>436,251</u>	<u>30,920</u>	<u>30,356,344</u>	<u>23,547,900</u>
Net Increase										
Net Assets Available for Benefits:										
Beginning of Year	62,949,950	35,636,046	17,755,869	4,477,464	15,557,666	9,976,157	897,483	-	147,250,635	123,702,735
End of Year	<u>\$ 70,001,648</u>	<u>\$ 43,994,601</u>	<u>\$ 23,060,140</u>	<u>\$ 4,499,265</u>	<u>\$ 21,193,739</u>	<u>\$ 13,492,932</u>	<u>\$ 1,333,734</u>	<u>\$ 30,920</u>	<u>\$ 177,606,979</u>	<u>\$ 147,250,635</u>

See notes to financial statements

**FREE CHURCH MINISTERS' AND MISSIONARIES'
RETIREMENT PLAN AND FCMM BENEFITS**

Statement of Accumulated Plan Benefits (Program A)
December 31, 2013
(With Comparative Totals for 2012)

	2013	2012
Actuarial present value of accumulated plan benefits:		
Vested benefits:		
Participants currently receiving payments	\$ 30,418,162	\$ 28,434,843
Active and vested inactive participants	62,289,142	61,791,303
	92,707,304	90,226,146
Nonvested benefits	-	-
Total actuarial present value of accumulated plan benefits	\$ 92,707,304	\$ 90,226,146

See notes to financial statements

**FREE CHURCH MINISTERS' AND MISSIONARIES'
RETIREMENT PLAN AND FCMM BENEFITS**

Statement of Changes in Accumulated Plan Benefits (Program A)
Year Ended December 31, 2013
(With Comparative Totals for 2012)

Actuarial present value of accumulated plan benefits at December 31, 2011	<u>\$ 88,409,450</u>
Increase (decrease) during the year attributable to:	
Benefits accumulated and impact of plan experience	(555,710)
Increase for interest due to decrease in discount period	5,304,567
Benefits paid	<u>(2,932,161)</u>
Net increase	<u>1,816,696</u>
 Actuarial present value of accumulated plan benefits at December 31, 2012	 <u>90,226,146</u>
Increase (decrease) during the year attributable to:	
Benefits accumulated and impact of plan experience	333,114
Increase for interest due to decrease in discount period	5,413,569
Benefits paid	<u>(3,265,525)</u>
Net increase	<u>2,481,158</u>
 Actuarial present value of accumulated plan benefits at December 31, 2013	 <u><u>\$ 92,707,304</u></u>

See notes to financial statements

**FREE CHURCH MINISTERS' AND MISSIONARIES'
RETIREMENT PLAN AND FCMM BENEFITS**

Statement of Net Assets Available for Benefits – FCMM Benefits
December 31, 2013

ASSETS:

Cash	\$ 182,063
Accounts receivable	9,100
Due from Retirement Plan	66,542
Goodwill	551,000
	<hr/>

Total Assets	808,705
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LIABILITIES:

Due to related party	67,479
Deferred revenue	124,092
Acquisition payable–due to related party	476,000
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Total Liabilities	667,571
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Net Assets Available for Benefits	\$ 141,134
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See notes to financial statements

**FREE CHURCH MINISTERS' AND MISSIONARIES'
RETIREMENT PLAN AND FCMM BENEFITS**

Statement of Changes in Net Assets Available for Benefits – FCMM Benefits
December 31, 2013

ADDITIONS TO NET ASSETS:

Insurance premium contributions	\$ 367,589
Transfer from EFCA	<u>35,510</u>
 Total Additions	 <u>403,099</u>

DEDUCTIONS FROM NET ASSETS:

Insurance premium fees	206,800
Compensation	35,774
Ministry	2,066
Facilities	3,704
Service fees	10,515
Staff travel	2,372
Seminars and conferences	189
Banking fees	<u>545</u>

Total Deductions	<u>261,965</u>
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Net Increase	141,134
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Net Assets Available for Benefits:

Beginning of Year	<u>-</u>
 End of Year	 <u><u>\$ 141,134</u></u>

See notes to financial statements

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN AND FCMM BENEFITS

Notes to Financial Statements
December 31, 2013

1. DESCRIPTION OF PLAN:

The following brief description of the Free Church Ministers' and Missionaries' (FCMM) Retirement Plan (Plan) and FCMM Benefits is provided for general information purposes only. Participants should refer to the Plan agreements for more complete information.

GENERAL – RETIREMENT PLAN

The Plan is a retirement plan covering ministers, missionaries and other eligible persons affiliated with The Evangelical Free Church of America (EFCA). It consists of a Section 401(a) defined benefit pension plan (Program A, frozen on January 1, 2004) and a Section 403(b)(9) defined contribution plan (Programs C through J). Established in 1971, the Plan provides for pension and death benefits. Since the Plan is church related, it is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan became incorporated on August 1, 2012, in the State of Minnesota.

The Plan is invested using three investment portfolios managed by investment advisors selected and overseen by the Trustees of FCMM and a management portfolio: (1) a stock portfolio invested in the stock market through an asset allocation model and contra-cyclical securities; (2) a broadly diversified bond portfolio invested in short, intermediate and long-term municipal, federal, foreign and high-quality corporate bonds; (3) an annuity invested in stocks with a 6% death benefit guarantee; and (4) the "FCMM Managed" portfolio that handles cash flow, miscellaneous income and retirement and other payments.

The stock and income portfolios gains and/or losses over any given month are distributed to the programs based on their actual value at the beginning of each month. After the gains and/or losses are distributed, any expenses, transfers or withdrawals are added to the accounts, and an end-of-month balance is calculated for each program. All expenses are distributed based on the asset value of each program after the gains or losses are calculated.

GENERAL – FCMM BENEFITS

FCMM also provides affordable long-term disability group coverage to pastors and support staff serving in EFCA churches. This coverage is intended to ensure the continuation of a portion of an employee's salary should a disability occur. Eligible participants must be in active employment at least 25 hours per week at an EFCA church or organization in the United States. FCMM acquired the Long Term Disability Insurance program (LTD Insurance) from the EFCA on April 1, 2013.

INVESTMENT OPTIONS

The Plan currently offers the following investment options:

Program C – Conservative Growth with Annuity Benefit Fund: This fund uses a mix of the stock, bond and annuity portfolios with an investment strategy designed to build consistent long-term growth through a professionally designed asset allocation plan. The rate of return during 2013 was 3.0%. This rate may be modified in the future, but it does allow one to anticipate what an eventual retirement benefit might look like at some future point of time. The interest rate is applied by the Trustees of FCMM and may be positive or negative in any Plan year. At retirement, one may apply the full value of this fund towards an annuity benefit. If one chooses to withdraw this fund as a "lump sum," a Fair Market Value adjustment may be applied to determine the actual amount that can be withdrawn.

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN AND FCMM BENEFITS

Notes to Financial Statements
December 31, 2013

1. DESCRIPTION OF PLAN, continued:

INVESTMENT OPTIONS, continued

Program D – Moderate Growth Stock Fund: This fund is invested in the stock portfolio. It is generally more aggressive in approach than the Conservative Growth with Annuity Benefit Fund (Program C). It offers the potential of a greater average return over the years than Program C while also carrying a greater risk factor for the participant. The value of this account is more volatile in moving with market trends and more difficult to estimate long term.

Program E – Diversified Bond Fund: This fund is invested in the bond portfolio. Program E can gain or lose value depending on the economic climate. Bond funds are subject to interest-rate risk, which means that bond rates move in the opposite direction of interest rates. When interest rates rise, the price of existing bonds and bond fund shares generally will decline. Conversely, when interest rates fall, the price of bonds and bond fund shares generally will rise.

Programs F, G and J – Self-Directed Mutual Funds: These programs allow a participant to “self direct” contributions to mutual fund choices managed by American Funds (Program F), Vanguard Funds (Program G) and/or Timothy Funds (Program J). Those who use American Funds and Timothy Funds through FCMM will not have any upfront load fees. Financial advice is available to help in choosing FCMM and/or American Funds and Timothy Funds. Vanguard is designed for the advanced investor who makes his/her own investment decisions.

Program H – Adjustable Rate Investment: This program allows participants to invest in an adjustable interest rate Investment Certificate with Christian Investors Financial (CIF). The rate can be adjusted by CIF the first of any month. CIF provides real estate loans to EFCA affiliated churches and ministries, so in addition to earning a competitive rate of interest and providing for capital preservation, investment dollars in this option will also help expand EFCA ministries. CIF pays the administrative fees to FCMM, so there are no fees paid by the participants on the dollars invested in this option. Prospective investors should refer to CIF’s current Offering Circular for risk factors and other information needed to make an informed investment decision. Current interest rate information is available at www.ChristianInvestors.org.

CONTRIBUTIONS

Participating employers may, at their sole discretion, make employer contributions on behalf of eligible employees. Employer contributions may be in the form of a nonelective contribution or a contribution matching a salary deferral contribution, or both. Participants can choose to have these contributions deposited into investment programs C, D, E, F, G, H or J.

Employees may make salary deferral contributions on either a pre-tax basis or as Roth contributions. The Plan also permits rollover contributions subject to any applicable legal restrictions. Participants can choose to have these contributions deposited into investment programs C, D, E, F, G, H or J.

Contributions are subject to certain limitations prescribed by law.

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN AND FCMM BENEFITS

Notes to Financial Statements
December 31, 2013

1. DESCRIPTION OF PLAN, continued:

PENSION BENEFITS

Beginning at normal retirement age (65), participants in Programs A and C are entitled to an annuity equal to an annual pension benefit based on a 6% interest assumption and the 1983 Group Annuity Mortality Table (Male rates) with no age set. Participants in Programs D, E, F, G, H and J can take their current cash value as a cash distribution or as an annuity as described above.

NORMAL RETIREMENT: The normal retirement date (NRD) of a participant shall be on the first day of the month following the participant's 65th birthday.

EARLY RETIREMENT: The Plan permits early retirement at age 60. A participant's pension is based on compensation credits to the date of separation and is actuarially reduced to reflect earlier receipt of pension income.

LATE RETIREMENT: A participant may continue to work beyond NRD and will receive the actuarial equivalent benefit that would have been payable at the NRD. Benefit payments will begin upon actual retirement.

TERMINATION OF EMPLOYMENT

A participant who leaves the employment of a qualified employer for reasons other than retirement or death is entitled to a pension at NRD. The participant may elect to be paid a partial distribution of up to 30% of the employer's contributions (Programs A and C), as well as a complete distribution of the participant's balance in Programs D, E, F, G, H and J. Remaining cash balances will be held to provide a monthly retirement income commencing on NRD.

An inactive participant, who has left the employment of a qualified employer for reasons other than retirement, may apply for complete termination of participation in the Plan and receive rollover benefits based on the present value of their accounts. Rollover benefits are payable only to plans qualified under the income tax laws of the United States or Canada.

DEATH BENEFIT BEFORE RETIREMENT

When an active participant dies while employed by a qualified employer and before normal retirement age, there shall be paid to his or her beneficiary a death benefit equal to the sum of (a) an amount determined by the participant's total compensation credits in Program A and age in the year of death and (b) the total amount in his or her Programs C, D, E, F, G, H and J accounts. The minimum death benefit paid to the beneficiary of an active participant employed by a qualified employer in Program A is \$10,000 less any amounts previously withdrawn. Death benefits shall be payable in a lump sum or the beneficiary may select an installment method which is actuarially equivalent. If an inactive participant dies before normal retirement age, the death benefit shall be as described above for an active participant but with no minimum payment.

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN AND FCMM BENEFITS

Notes to Financial Statements
December 31, 2013

1. DESCRIPTION OF PLAN, continued:

INCOME TAX STATUS

The Internal Revenue Service has determined and informed FCMM by a letter dated January 31, 1972, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. The Plan administrator, other management and the Plan's actuarial counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The accompanying financial statements are prepared on the accrual basis of accounting.

PRIOR YEAR SUMMARIZED INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by Program. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Plan's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

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 additions and deductions during the reporting period. Actual results could differ from those estimates.

INVESTMENT VALUATION AND INCOME RECOGNITION

Investments are dispersed across different economic areas and different geographic regions. Marketable securities are valued at quoted prices in active markets for identical assets. AXA Equitable Accumulator Variable Deferred Annuities are valued at quoted market prices. Other investments include limited partnerships, real estate investments and CIF certificates. Limited partnerships and real estate investments are valued based upon the net operating income generated and market capitalization rates. CIF certificates are recorded at cost plus accrued interest. 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-dividend date.

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN AND FCMM BENEFITS

Notes to Financial Statements
December 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET APPRECIATION OR DEPRECIATION IN FAIR VALUE OF INVESTMENTS

In accordance with the policy of stating investments at fair value, the net change in appreciation or depreciation for the year is reflected in the statement of changes in net assets available for benefits. Net appreciation or depreciation includes realized and unrealized gains and losses on investments that were purchased, sold or held during the year.

SOFTWARE

Software is capitalized at cost. Depreciation is computed on the straight-line method over the estimated useful life of the software. The asset is being depreciated over four years.

GOODWILL

Goodwill relates to the purchase of the LTD Insurance program from EFCA and is carried at the initial amount recorded at the time of the purchase. It is evaluated for impairment on an annual basis.

DEFERRED REVENUE

Deferred revenue relates to LTD Insurance premiums received in advance of the period to which the premiums relate. Revenue is recognized when the premiums are earned.

CONTRIBUTIONS

Contributions are allowed under the specific limitations for 403(b)(9) programs in the IRS Code as agreed upon by the participant and employing organization. Contributions to the Plan are subject to certain limitations in accordance with federal income tax regulations.

Premium payments for LTD insurance come from the employer. The local church board decides for each class of employees if the payment is an employee benefit (i.e., funded by the church as part of the compensation package) or a payroll deduction (i.e., funded by the employee).

PAYMENT OF BENEFITS

Benefit payments to participants in the Plan are recorded upon distribution or at the time of death.

All benefit payments to participants in the LTD Insurance program are paid for by a third-party insurance company.

ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

Accumulated Plan benefits are those future pension benefits that individual participants have accumulated under the Plan's benefit accrual provisions based on current compensation credits earned to date. The actuarial present value of those accumulated Plan benefits for Program A as of December 31, 2013, was determined by an actuary from Zingle & Associates, Inc. It is the 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 death, withdrawals or retirement) between the valuation date and the expected date of payment.

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN AND FCMM BENEFITS

Notes to Financial Statements
December 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS, continued

The significant actuarial assumptions used in the valuation as of December 31, 2013, were (a) life expectancy of participants (the 1983 Group Annuity Mortality Table was used), (b) retirement age assumptions (the assumed average retirement age was 65), and (c) investment return. The assumed average rate of return was 6.0%. Anticipated administrative expenses associated with providing benefits are assumed to be met by investment earnings in excess of 6.0%. 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.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of changes in net assets available for benefits. As of December 31, 2013, the Plan and FCMM Benefits had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

3. PLAN TERMINATION:

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

- a) To provide for the return to all participants and beneficiaries of deceased participants any contributions made by the employer to the extent that such contributions shall not have been returned by benefit payments.
- b) To provide for all participants and for beneficiaries of deceased participants, who are entitled at that time to receive benefit payments from the funds, the full value of their accrued and unpaid benefits to the extent not already provided for above.
- c) To provide for all participants the full value of their respective accrued benefits to the extent not provided for above.

In the event the funds shall not be sufficient to provide in full for all benefits specified in any one of the preceding categories, the benefits to be provided shall be prorated in proportion to the value of the respective benefits which would be provided if the funds were sufficient.

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN AND FCMM BENEFITS

Notes to Financial Statements
December 31, 2013

4. RELATED PARTY TRANSACTIONS:

The Plan and FCMM Benefits reimburses EFCA for its share of building operating costs, support services, postage, office supplies and other miscellaneous expenses provided by EFCA. The FCMM payroll is also processed through the EFCA payroll department for a fee. For the year ended December 31, 2013, this amounted to \$137,104. The balance due to EFCA at December 31, 2013, totaled \$70,440.

On April 1, 2013, FCMM purchased the LTD Insurance program from EFCA. The purchase resulted in a transfer of \$35,510 in net assets related to the program and \$551,000 in goodwill. The purchase price is due as follows: Year 1 \$100,000, Year 2 \$105,000, Year 3 \$110,000, Year 4 \$115,000, and Year 5 \$121,000. Payments are due quarterly and the agreement contains certain provisions for delays in payments based on net income earned through the program.

At December 31, 2013, participants in the Plan had \$1,329,213 invested in certificates sold by CIF. CIF is a nonprofit, tax-exempt affiliated corporation whose Board members are appointed by the EFCA Board. CIF's purpose is to provide financing for the construction, remodeling, refinancing or purchase of church buildings and other projects for EFCA, local churches of EFCA and other affiliated organizations of EFCA throughout the United States.

5. INVESTMENTS:

All investments, except for a savings account, certain money market funds and other investments are held in a combined investment pool which was established for the investment of assets of each of the Plan's Programs A, C, D and E. Each Program has an undivided interest in the pooled assets. At December 31, 2013, each Program's interest in the investment pool was as follows:

Program A	49%
Program C	31%
Program D	17%
Program E	3%
	<u>100%</u>

Investment income and administrative expenses relating to the investment pool are allocated to the individual programs based upon actual values at the beginning of the month.

FAIR VALUE MEASUREMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements: The *Fair Value Measurements and Disclosures* topic of the Financial Accounting Standards Board Standards Codification (ASC), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. FCMM uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, FCMM measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

**FREE CHURCH MINISTERS' AND MISSIONARIES'
RETIREMENT PLAN AND FCMM BENEFITS**

Notes to Financial Statements
December 31, 2013

5. INVESTMENTS, continued:

FAIR VALUE MEASUREMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

The following table presents the fair value measurements of investments in the investment pool and the fair value measurements of investments held outside the investment pool at December 31, 2013:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
Investments held in investment pool:			
Fixed income mutual funds:			
High yield funds	\$ 6,833,979	\$ 6,833,979	\$ -
Growth and income funds	7,982,681	7,982,681	-
Growth funds	5,630,127	5,630,127	-
Income funds	2,290,798	2,290,798	-
Equity mutual funds:			
Large cap value funds	26,592,515	26,592,515	-
Mid cap funds	2,223,280	2,223,280	-
Growth funds	13,576,328	13,576,328	-
Index funds	25,733,104	25,733,104	-
Commodities	7,954,947	7,954,947	-
Emerging markets funds	5,656,117	5,656,117	-
International funds	6,062,145	6,062,145	-
AXA Equitable	14,387,557	14,387,557	-
Hedge funds	14,758,007	-	14,758,007
Real estate investment trust	1,131,918	-	1,131,918
Total pooled investments	<u>140,813,503</u>	<u>124,923,578</u>	<u>15,889,925</u>
Investments held outside investment pool:			
American funds	21,118,499	21,118,499	-
Vanguard funds	13,411,029	13,411,029	-
Timothy funds	22,379	22,379	-
Total before investments at cost	<u>34,551,907</u>	<u>34,551,907</u>	<u>-</u>
CIF certificates, at cost	1,329,214	1,329,214	-
Total investments outside investment pool	<u>35,881,121</u>	<u>35,881,121</u>	<u>-</u>
 Total all investments	 <u>\$ 176,694,624</u>	 <u>\$ 160,804,699</u>	 <u>\$ 15,889,925</u>

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN AND FCMM BENEFITS

Notes to Financial Statements
December 31, 2013

5. INVESTMENTS, continued:

FAIR VALUE MEASUREMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of net assets available for benefits, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Level 1 Fair Value Measurements

Fair value of financial instruments: The carrying amount of cash and CIF certificates approximates fair value due to its liquid nature. Investments in mutual funds are carried at fair value based on quoted market prices.

Level 3 Fair Value Measurements

The Plan uses Net Asset Value (NAV) as reported by the underlying hedge fund managers as a practical expedient to fair value for all hedge funds which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. The fair value of the real estate investment trust is based on an annual appraisal.

The following table provides further details for the Level 3 fair value measurements for the year ended December 31, 2013:

	Hedge Funds	Real Estate Investment Trust
Beginning balance	\$ 13,112,101	\$ 1,351,320
Purchases	1,144,123	-
Sales and settlements	(815,425)	(208,403)
Investment income	1,317,208	(10,999)
	\$ 14,758,007	\$ 1,131,918
Ending balance	\$ 14,758,007	\$ 1,131,918

**FREE CHURCH MINISTERS' AND MISSIONARIES'
RETIREMENT PLAN AND FCMM BENEFITS**

Notes to Financial Statements
December 31, 2013

5. INVESTMENTS, continued:

The following table presents investments that represent five percent or more of the Plan's net assets at December 31, 2013:

Investments held in investment pool:

Equity mutual funds:

Markston International Large Cap Value	\$ 12,453,819
SIT Dividend Growth	13,576,328
Columbia Diversified Income Large Cap	14,138,698
Ishares Russell 1000G	13,261,548
AXA Equitable Accumulator Variable Deferred Annuities	14,387,557

For the year ended December 31, 2013, the Plan's investment income consisted of:

Net depreciation of all investments:

Investments held in investment pool:

Equity mutual funds	\$ 14,773,981
AXA Equitable Accumulator Variable Deferred Annuities	3,782,114
Fixed income mutual funds	(1,441,941)
Total depreciation on pooled investments	17,114,154

Investments held outside investment pool:

American funds	3,108,197
Vanguard funds	1,689,102
Timothy funds	1,188
Net depreciation of all investments	21,912,641

Interest and dividends:

Investments held in investment pool:

Equity mutual funds	2,419,187
Fixed income mutual funds	1,237,534
Total interest and dividends on pooled investments	3,656,721

Investments held outside investment pool:

CIF certificates, at cost	23,391
Savings account	795
Total interest and dividends	3,680,907

Total investment income	\$ 25,593,548
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FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN AND FCMM BENEFITS

Notes to Financial Statements
December 31, 2013

6. 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 participant's account balances and the amounts reported in the statement of net assets available for benefits.

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.

7. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

**FREE CHURCH MINISTERS' AND MISSIONARIES'
RETIREMENT PLAN AND FCMM BENEFITS**

Statement of Net Assets Available for Benefits – By Portfolio (Retirement Plan)
December 31, 2013
(With Comparative Totals for 2012)

	Program A	Program C	Program D	Program E	Program F	Program G	Program H	Program J	Total 2013	Total 2012
INVESTMENTS AT FAIR VALUE										
Pooled investment assets:										
STOCK PORTFOLIO:										
Large cap growth	\$ 8,820,641	\$ 6,062,804	\$ 4,762,096	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,645,541	\$ 10,653,671
Large cap core	11,687,261	8,033,156	6,309,730	-	-	-	-	-	26,030,147	19,985,011
Large cap value	6,348,126	4,363,339	3,427,233	-	-	-	-	-	14,138,698	10,989,992
Money market funds	92,947	63,887	50,181	-	-	-	-	-	207,015	388,698
Hedge funds	2,784,588	1,913,967	1,503,346	-	-	-	-	-	6,201,901	13,112,102
Commodities and real estate	4,079,907	2,804,294	2,202,664	-	-	-	-	-	9,086,865	6,477,075
International equity	8,899,909	6,117,288	4,804,890	-	-	-	-	-	19,822,087	13,927,868
Total stock portfolio	42,713,379	29,358,735	23,060,140	-	-	-	-	-	95,132,254	75,534,417
AXA EQUITABLE PORTFOLIO:										
AXA equitable	14,387,557	-	-	-	-	-	-	-	14,387,557	10,605,444
FIXED INCOME PORTFOLIO:										
Core fixed income	2,187,477	2,633,176	-	809,474	-	-	-	-	5,630,127	12,280,654
Doubleline total return	2,192,830	2,639,619	-	811,455	-	-	-	-	5,643,904	8,518,593
Pimco foreign bond fund	906,014	1,090,614	-	335,270	-	-	-	-	2,331,898	4,932,504
Hedge funds	3,324,311	4,001,638	-	1,230,158	-	-	-	-	8,556,107	-
Short term bond funds	2,654,853	3,195,779	-	982,426	-	-	-	-	6,833,058	-
Municipal bonds	890,403	1,071,822	-	329,493	-	-	-	-	2,291,718	7,505,009
Money market funds	2,673	3,218	-	989	-	-	-	-	6,880	197,274
Total fixed income portfolio	12,158,561	14,635,866	-	4,499,265	-	-	-	-	31,293,692	33,434,034
Pooled investment assets	69,259,497	43,994,601	23,060,140	4,499,265	-	-	-	-	140,813,503	119,573,895
FCMM-MANAGED PORTFOLIO:										
Other investments:										
American funds	-	-	-	-	21,118,499	-	-	-	21,118,499	15,410,335
Vanguard funds	-	-	-	-	-	13,411,029	-	-	13,411,029	9,917,076
CIF certificates	-	-	-	-	-	-	1,329,214	-	1,329,214	894,988
Timothy funds	-	-	-	-	-	-	-	22,379	22,379	-
Cash	764,253	-	-	-	75,240	81,903	4,520	8,541	934,457	1,196,175
Accrued interest income	39,000	-	-	-	-	-	-	-	39,000	30,600
Prepaid expenses and accrued interest	-	-	-	-	-	-	-	-	-	284,745
Software	25,510	-	-	-	-	-	-	-	25,510	20,335
Total FCMM managed assets	828,763	-	-	-	21,193,739	13,492,932	1,333,734	30,920	36,880,088	27,754,254
Liabilities:										
Federal and state income tax withheld	308	-	-	-	-	-	-	-	308	2,371
Accounts payable	16,801	-	-	-	-	-	-	-	16,801	16,499
Due to FCMM Benefits	66,542	-	-	-	-	-	-	-	66,542	-
Due to related party	2,961	-	-	-	-	-	-	-	2,961	58,644
Total FCMM-managed liabilities	86,612	-	-	-	-	-	-	-	86,612	77,514
Net value of FCMM-managed portfolio	742,151	-	-	-	21,193,739	13,492,932	1,333,734	30,920	36,793,476	27,676,740
Net Assets Available for Benefits	\$ 70,001,648	\$ 43,994,601	\$ 23,060,140	\$ 4,499,265	\$ 21,193,739	\$ 13,492,932	\$ 1,333,734	\$ 30,920	\$ 177,606,979	\$ 147,250,635

**FREE CHURCH MINISTERS' AND MISSIONARIES'
RETIREMENT PLAN AND FCMM BENEFITS**

Statement of Changes in Net Assets Available for Benefits – By Portfolio (Retirement Plan)
Year Ended December 31, 2013
(With Comparative Totals for 2012)

	Program A	Program C	Program D	Program E	Program F	Program G	Program H	Program J	Total 2013	Total 2012
Pooled investment assets:										
STOCK PORTFOLIO										
Investment income:										
Net appreciation in fair value:										
Stocks and equity mutual funds	\$ 6,799,377	\$ 4,463,225	\$ 3,511,379	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,773,981	\$ 6,998,304
Dividends	1,099,447	738,130	581,610	-	-	-	-	-	2,419,187	1,455,610
Interest	-	-	-	-	-	-	-	-	-	25
Total investment income	7,898,824	5,201,355	4,092,989	-	-	-	-	-	17,193,168	8,453,939
Investment expenses:										
Fund manager fees	84,580	55,853	43,992	-	-	-	-	-	184,425	185,679
Graystone consulting fees	56,843	37,602	29,593	-	-	-	-	-	124,038	63,977
Total investment expenses	141,423	93,455	73,585	-	-	-	-	-	308,463	249,656
Net investment income	7,757,401	5,107,900	4,019,404	-	-	-	-	-	16,884,705	8,204,283
Transfers between programs and portfolios	(424,509)	1,746,814	1,390,822	-	-	-	-	-	2,713,127	(756,749)
Net Change in Stock Portfolio Value	7,332,892	6,854,714	5,410,226	-	-	-	-	-	19,597,832	7,447,534
AXA EQUITABLE PORTFOLIO										
Investment income:										
Net appreciation in fair value	3,229,314	552,800	-	-	-	-	-	-	3,782,114	1,143,739
Transfers between programs and portfolios	3,985,576	(3,985,576)	-	-	-	-	-	-	-	-
Net Change in AXA Portfolio Value	7,214,890	(3,432,776)	-	-	-	-	-	-	3,782,114	1,143,739

**FREE CHURCH MINISTERS' AND MISSIONARIES'
RETIREMENT PLAN AND FCMM BENEFITS**

Statement of Changes in Net Assets Available for Benefits – By Portfolio (Retirement Plan), continued
Year Ended December 31, 2013
(With Comparative Totals for 2012)

	Program A	Program C	Program D	Program E	Program F	Program G	Program H	Program J	Total 2013	Total 2012
FIXED INCOME PORTFOLIO										
Investment income:										
Net appreciation (depreciation) in fair value:										
Bond mutual funds	(814,731)	(429,542)	-	(197,668)	-	-	-	-	(1,441,941)	2,136,304
Dividends	617,574	447,081	-	172,879	-	-	-	-	1,237,534	1,752,224
Interest	-	-	-	-	-	-	-	-	-	13,260
Total investment income	(197,157)	17,539	-	(24,789)	-	-	-	-	(204,407)	3,901,788
Investment expenses:										
Fund manager fees	-	-	-	-	-	-	-	-	-	-
Graystone consulting fees	13,637	6,074	-	3,092	-	-	-	-	22,803	46,607
Total investment expenses	13,637	6,074	-	3,092	-	-	-	-	22,803	46,607
Net investment income	(210,794)	11,465	-	(27,881)	-	-	-	-	(227,210)	3,855,181
Transfers between programs and portfolios	(6,887,962)	4,925,152	-	49,682	-	-	-	-	(1,913,128)	756,749
Net Change in Fixed Income Portfolio Value	(7,098,756)	4,936,617	-	21,801	-	-	-	-	(2,140,338)	4,611,930
Net change in pooled investment assets before reduction in contingent sales charge	7,449,026	8,358,555	5,410,226	21,801	-	-	-	-	21,239,608	13,203,203
Reduction in contingent sales charge	-	-	-	-	-	-	-	-	-	100,000
Net Change in Pooled Investment Assets	7,449,026	8,358,555	5,410,226	21,801	-	-	-	-	21,239,608	13,303,203
Beginning Portfolio Value	61,810,471	35,636,046	17,649,914	4,477,464	-	-	-	-	119,573,895	106,270,692
Ending Portfolio Value	\$ 69,259,497	\$ 43,994,601	\$ 23,060,140	\$ 4,499,265	\$ -	\$ -	\$ -	\$ -	\$ 140,813,503	\$ 119,573,895

**FREE CHURCH MINISTERS' AND MISSIONARIES'
RETIREMENT PLAN AND FCMM BENEFITS**

Statement of Changes in Net Assets Available for Benefits – By Portfolio (Retirement Plan), continued
Year Ended December 31, 2013
(With Comparative Totals for 2012)

	Program A	Program C	Program D	Program E	Program F	Program G	Program H	Program J	Total 2013	Total 2012
FCMM MANAGED PORTFOLIO										
Investment income:										
Net appreciation in fair value:	\$ -	\$ -	\$ -	\$ -	\$ 3,108,197	\$ 1,689,102	\$ -	\$ 1,188	\$ 4,798,487	\$ 2,074,143
Dividends	-	-	-	-	-	-	23,391	-	23,391	16,955
Interest	795	-	-	-	-	-	-	-	795	995
Net investment income	795	-	-	-	3,108,197	1,689,102	23,391	1,188	4,822,673	2,092,093
Administrative expenses	459,493	273,909	139,448	31,967	-	-	-	-	904,817	899,283
Additions:										
Contributions:										
Employer contributions	-	3,211,586	1,437,868	84,237	1,234,225	947,426	54,386	9,396	6,979,124	6,887,958
Employee contributions	-	109,411	707,486	465,727	1,174,376	926,635	119,506	6,659	3,509,800	3,245,753
Roll-in contributions	-	36,782	215,565	156,290	309,932	53,238	4,172	-	775,979	3,446,711
Total Additions	-	3,357,779	2,360,919	706,254	2,718,533	1,927,299	178,064	16,055	11,264,903	13,580,422
Deductions:										
Benefits paid to participants	3,265,525	496,170	626,614	129,751	288,185	416,853	42,926	-	5,266,024	4,528,535
Transfers between programs and portfolios	3,326,895	(2,686,390)	(1,390,822)	(49,682)	-	-	-	-	(799,999)	-
Option to option transfers	-	98,690	(309,990)	(494,854)	97,528	317,227	277,722	13,677	-	-
	3,326,895	(2,587,700)	(1,700,812)	(544,536)	97,528	317,227	277,722	13,677	(799,999)	-
Net Change in FCMM Managed Portfolio	(397,328)	-	(105,955)	-	5,636,073	3,516,775	436,251	30,920	9,116,736	10,244,697
Beginning Portfolio Value	1,139,479	-	105,955	-	15,557,666	9,976,157	897,483	-	27,676,740	17,432,043
Ending Portfolio Value	\$ 742,151	\$ -	\$ -	\$ -	\$ 21,193,739	\$ 13,492,932	\$ 1,333,734	\$ 30,920	\$ 36,793,476	\$ 27,676,740
Combined Net Change in all Plan Portfolios	\$ 7,051,698	\$ 8,358,555	\$ 5,304,271	\$ 21,801	\$ 5,636,073	\$ 3,516,775	\$ 436,251	\$ 30,920	\$ 30,356,344	\$ 23,547,900
Net Assets Available for Benefits:										
Beginning of Year	62,949,950	35,636,046	17,755,869	4,477,464	15,557,666	9,976,157	897,483	-	147,250,635	123,702,735
End of Year	\$ 70,001,648	\$ 43,994,601	\$ 23,060,140	\$ 4,499,265	\$ 21,193,739	\$ 13,492,932	\$ 1,333,734	\$ 30,920	\$ 177,606,979	\$ 147,250,635