FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN

Financial Statements
With Independent Auditors' Report

December 31, 2012

CAPINCROUSE LLP
Certified Public Accountants

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN

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CAPINCROUSE LLP
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Free Church Ministers' and Missionaries' Retirement Plan (the Plan), which comprise the statement of net assets available for benefits (Programs A, B, C, D, E, F, G and H) and of accumulated plan benefits (Program A) as of December 31, 2012, and the related statement of changes in net assets available for benefits (Programs A, B,C, D, E, F, G and H) and of changes in accumulated plan benefits (Program A) for the year ended December 31, 2012, 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 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 audits 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
Minneapolis, Minnesota

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits (Programs A, B, C, D, E, F, G and H) and financial status (Program A) of the Plan as of December 31, 2012, and the changes in net assets available for benefits (Programs A, B, C, D, E, F, G and H) and its financial status (Program A) for the year ended December 31, 2012, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2011 financial statements of the Free Church Ministers’ and Missionaries’ Retirement Plan, and our reported dated May 9, 2012, 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, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

We have audited the financial statements of the Free Church Ministers’ and Missionaries’ Retirement Plan as of and for the year ended December 31, 2012. 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 8, 2013

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN

Statement of Net Assets Available for Benefits
December 31, 2012
(With Comparative Totals for 2011)

	Program A	Program B	Program C	Program D	Program E	Program F	Program G	Program H	Total 2012	Total 2011
ASSETS:										
Investments at fair value:										
Pooled investment assets	$ 61,810,471	$ 12,417,030	$ 35,636,046	$ 5,232,884	$ 4,477,464	$ -	$ -	$ -	$ 119,573,895	$ 106,370,692
Other investments	-	-	-	-	-	15,410,335	9,917,076	894,988	26,222,399	16,683,097
Total investments at fair value	61,810,471	12,417,030	35,636,046	5,232,884	4,477,464	15,410,335	9,917,076	894,988	145,796,294	123,053,789
Less: contingent sales charge	-	-	-	-	-	-	-	-	-	(100,000)
Net investments after sales charge	61,810,471	12,417,030	35,636,046	5,232,884	4,477,464	15,410,335	9,917,076	894,988	145,796,294	122,953,789
Cash	881,313	-	-	105,955	-	147,331	59,081	2,495	1,196,175	498,684
Accrued interest income	30,600								30,600	19,454
Prepaid expenses	284,745	-	-	-	-	-	-	-	284,745	251,487
Software	20,335	-	-	-	-	-	-	-	20,335	52,480
Total Assets	63,027,464	12,417,030	35,636,046	5,338,839	4,477,464	15,557,666	9,976,157	897,483	147,328,149	123,775,894
LIABILITIES:										
Federal income tax withheld	2,371	-	-	-	-	-	-	-	2,371	-
Accounts payable	16,499	-	-	-	-	-	-	-	16,499	16,000
Due to related party	58,644	-	-	-	-	-	-	-	58,644	57,159
Total Liabilities	77,514	-	-	-	-	-	-	-	77,514	73,159
Net Assets Available for Benefits	$ 62,949,950	$ 12,417,030	$ 35,636,046	$ 5,338,839	$ 4,477,464	$ 15,557,666	$ 9,976,157	$ 897,483	$ 147,250,635	$ 123,702,735

See notes to financial statements

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN

Statement of Changes in Net Assets Available for Benefits
December 31, 2012
(With Comparative Totals for 2011)

	Program A	Program B	Program C	Program D	Program E	Program F	Program G	Program H	Total 2012	Total 2011
ADDITIONS TO NET ASSETS:										
Investment income:										
Net appreciation (depreciation) in fair value of investments	$ 5,568,241	$ 1,091,980	$ 2,878,728	$ 473,614	$ 265,784	$ 1,446,141	$ 628,002	$ -	$ 12,352,490	$ (6,470,918)
Dividends	1,733,582	232,785	915,499	97,829	228,139	-	-	16,955	3,224,789	2,673,696
Interest	8,803	4	3,739	2	1,732	-	-	-	14,280	15,087
	7,310,626	1,324,769	3,797,966	571,445	495,655	1,446,141	628,002	16,955	15,591,559	(3,782,135)
Less investment expenses:										
Fund management fees	91,332	29,263	52,612	12,472	-	-	-	-	185,679	171,091
Consulting and advisory fees	59,529	10,005	30,923	4,207	5,920	-	-	-	110,584	111,757
Net investment income	7,159,765	1,285,501	3,714,431	554,766	489,735	1,446,141	628,002	16,955	15,295,296	(4,064,983)
Employer contributions	-	1,316,440	3,428,590	-	-	-	-	-	4,745,030	4,623,985
Employee contributions	-	-	-	907,173	685,148	3,290,584	3,624,552	327,935	8,835,392	6,154,777
Total Additions	7,159,765	2,601,941	7,143,021	1,461,939	1,174,883	4,736,725	4,252,554	344,890	28,875,718	6,713,779
DEDUCTIONS FROM NET ASSETS:										
Benefits paid to participants	2,932,161	426,674	378,839	176,032	72,246	236,575	248,875	57,133	4,528,535	5,090,590
Administrative expenses	483,713	89,933	255,963	37,951	31,723	-	-	-	899,283	833,229
Total Deductions	3,415,874	516,607	634,802	213,983	103,969	236,575	248,875	57,133	5,427,818	5,923,819
Net increase (decrease) before reduction in contingent sales charge and transfers	3,743,891	2,085,334	6,508,219	1,247,956	1,070,914	4,500,150	4,003,679	287,757	23,447,900	789,960
Option to option transfers	-	(153,315)	31,526	(484,279)	(207,712)	120,238	580,756	112,786	-	-
Reduction in contingent sales charge	100,000	-	-	-	-	-	-	-	100,000	200,000
Net Increase	3,843,891	1,932,019	6,539,745	763,677	863,202	4,620,388	4,584,435	400,543	23,547,900	989,960
Net Assets Available for Benefits:										
Beginning of Year	59,106,059	10,485,011	29,096,301	4,575,162	3,614,262	10,937,278	5,391,722	496,940	123,702,735	122,712,775
End of Year	$ 62,949,950	$ 12,417,030	$ 35,636,046	$ 5,338,839	$ 4,477,464	$ 15,557,666	$ 9,976,157	$ 897,483	$ 147,250,635	$ 123,702,735

See notes to financial statements

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN

Statement of Accumulated Plan Benefits (Program A)
December 31, 2012
(With Comparative Totals for 2011)

	2012	2011
Actuarial present value of accumulated plan benefits:		
Vested benefits:		
Participants currently receiving payments	$ 28,434,843	$ 24,381,366
Active and vested inactive participants	61,791,303	64,028,084
	90,226,146	88,409,450
Nonvested benefits	-	-
Total actuarial present value of accumulated plan benefits	$ 90,226,146	$ 88,409,450

See notes to financial statements

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN

Statement of Changes in Accumulated Plan Benefits (Program A)
Year Ended December 31, 2012
(With Comparative Totals for 2011)

Actuarial present value of accumulated plan benefits at December 31, 2010	$ 85,085,629
Increase (decrease) during the year attributable to:	
Benefits accumulated and impact of plan experience	1,167,479
Increase for interest due to decrease in discount period	5,105,138
Benefits paid	(2,948,796)
Net increase	3,323,821
Actuarial present value of accumulated plan benefits at December 31, 2011	88,409,450
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	(2,932,161)
Net increase	1,816,696
Actuarial present value of accumulated plan benefits at December 31, 2012	$ 90,226,146

See notes to financial statements

1. <u>DESCRIPTION OF PLAN:</u>

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

GENERAL

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. 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.

INVESTMENT OPTIONS

The Plan currently offers the following investment options:

Program B – 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. Only employer contributions may be directed into Program B. Effective January 1, 2013, Program B will be combined with Program D, and will be referred to as Program D going forward.

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 2012 was 3.5%. 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. Only employer contributions may be directed into Program C.

1. DESCRIPTION OF PLAN, continued:

INVESTMENT OPTIONS, continued

Program D – Moderate Growth Stock Fund: This fund is invested in the stock portfolio and is very close to Option B in terms of overall investment strategy and corresponding risk factors. Only employee contributions may be directed into Program D.

Program E – Diversified Bond Fund: This fund is invested in the bond portfolio. Option 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 and G – Self-Directed Mutual Funds: This option allows a participant to “self direct” employee contributions to mutual fund choices managed by American Funds (Option F) and/or Vanguard Funds (Option G). Those who use American Funds through FCMM will not have any upfront load fees. Financial advice is available to help in choosing FCMM and/or American Fund options. Vanguard is designed for the advanced investor who makes his/her own investment decisions.

Program H – Adjustable Rate Investment: This option 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 options B, C, E, F, G or H.

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 options D, E, F, G or H.

Contributions are subject to certain limitations prescribed by law.

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 B, D, E, F, G and H 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, B and C), as well as a complete distribution of the participant's balance in Programs D, E, F, G and H. 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 B, C, D, E, F, G and H 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.

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, 2011, 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.

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.

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.

PAYMENT OF BENEFITS
Benefit payments to participants are recorded upon distribution or at the time of death.

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, 2012, 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.

The significant actuarial assumptions used in the valuation as of December 31, 2012, 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.

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN

Notes to Financial Statements
December 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2012, the Plan 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.

4. RELATED PARTY TRANSACTIONS:

The Plan 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, 2012, this amounted to $116,981. The balance due to EFCA at December 31, 2012, totaled $58,644.

At December 31, 2012, participants in the Plan had $894,988 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, B, C, D and E. Each Program has an undivided interest in the pooled assets. At December 31, 2012, each Program's interest in the investment pool was as follows:

Program A	52%
Program B	10%
Program C	29%
Program D	4%
Program E	4%
	100%

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

Notes to Financial Statements
December 31, 2012

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, 2012:

	Fair Value	Level 1	Level 3
Investments held in investment pool:			
Fixed income mutual funds:			
High yield funds	$ 7,505,009	$ 7,505,009	$ -
Growth and income funds	13,648,371	13,648,371	-
Growth funds	12,280,654	12,280,654	-
Equity mutual funds:			
Large cap value funds	20,364,633	20,364,633	-
Large cap growth funds	10,653,671	10,653,671	-
Mid cap funds	1,839,175	1,839,175	-
Growth funds	10,610,372	10,610,372	-
Index funds	3,564,827	3,564,827	-
Commodities	5,125,755	5,125,755	-
Emerging markets funds	4,934,102	4,934,102	-
International funds	3,978,462	3,978,462	-
AXA Equitable	10,605,443	10,605,443	-
Hedge funds	13,112,101	-	13,112,101
Real estate investment trust	1,351,320	-	1,351,320
Total pooled investments	119,573,895	105,110,474	14,463,421
Investments held outside investment pool:			
American funds	15,410,335	15,410,335	-
Vanguard funds	9,917,076	9,917,076	-
Total before investments at cost	25,327,411	25,327,411	-
CIF certificates, at cost	894,988	894,988	-
Total investments outside investment pool	26,222,399	26,222,399	-
Total all investments	$ 145,796,294	$ 131,332,873	$ 14,463,421

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 fair value for hedge funds is provided based on a number of factors including obtaining an understanding of the funds' underlying investments, strategy, positions and valuation and comparing information provided by the fund administrator or general partner to other available information such as sector data and indexes. 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, 2012:

	Hedge Funds	Real Estate Investment Trust
Beginning balance	$ 14,425,218	$ 1,366,302
Sales and settlements	(1,901,710)	(88,755)
Investment income	588,593	73,773
Ending balance	$ 13,112,101	$ 1,351,320

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN

Notes to Financial Statements
December 31, 2012

5. INVESTMENTS, continued:

The following table presents investments that represent five percent or more of the Plan's net assets at December 31, 2012:

Investments held in investment pool:	
Equity mutual funds:	
Cornerstone Large Cap Growth	$ 10,653,671
Markston International Large Cap Value	9,374,641
SIT Dividend Growth	10,610,372
Columbia Diversified Income Large Cap	10,989,992
AXA Equitable Accumulator Variable Deferred Annuities	10,605,443
Fixed income mutual funds:	
Nuveen High Yield Municipal Bond	7,505,009
DoubleLine Total Return	8,518,593
PIMCO Total Return	12,280,654
Investments held outside investment pool:	
American Funds	15,410,335
Vanguard	9,917,076

For the year ended December 31, 2012, the Plan's investment income consisted of:

Net depreciation of all investments:	
Investments held in investment pool:	
Equity mutual funds	$ 6,998,304
AXA Equitable Accumulator Variable Deferred Annuities	1,143,739
Fixed income mutual funds	2,136,304
Total depreciation on pooled investments	10,278,347
Investments held outside investment pool:	
American funds	1,446,141
Vanguard funds	628,002
Net depreciation of all investments	12,352,490
Interest and dividends:	
Investments held in investment pool:	
Equity mutual funds	1,455,635
Fixed income mutual funds	1,765,484
Total interest and dividends on pooled investments	3,221,119
Investments held outside investment pool:	
CIF certificates, at cost	16,955
Savings account	995
Total interest and dividends	3,239,069
Total investment income	$ 15,591,559

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

Statement of Net Assets Available for Benefits - By Portfolio
December 31, 2012
(With Comparative Totals for 2011)

	Program A	Program B	Program C	Program D	Program E	Program F	Program G	Program H	Total 2012	Total 2011
INVESTMENTS AT FAIR VALUE										
Pooled investment assets:										
STOCK PORTFOLIO:										
Large cap growth	$ 4,990,203	$ 1,751,347	$ 3,174,055	$ 738,066	$ -	$ -	$ -	$ -	$ 10,653,671	$ 9,343,375
Large cap core	9,361,024	3,285,316	5,954,146	1,384,525	-	-	-	-	19,985,011	17,331,363
Large cap value	5,147,736	1,806,634	3,274,256	761,366	-	-	-	-	10,989,992	8,919,511
Money market funds	182,067	63,898	115,805	26,928	-	-	-	-	388,698	2,454
Small mid cap value	-	-	-	-	-	-	-	-	-	1,310,050
Small mid cap growth	-	-	-	-	-	-	-	-	-	1,310,050
Hedge funds	6,141,737	2,155,486	3,906,497	908,382	-	-	-	-	13,112,102	14,425,218
Commodities and real estate	3,033,876	1,064,760	1,929,719	448,720	-	-	-	-	6,477,075	3,412,083
International equity	6,523,843	2,289,589	4,149,539	964,897	-	-	-	-	13,927,868	12,032,782
Total stock portfolio	35,380,486	12,417,030	22,504,017	5,232,884	-	-	-	-	75,534,417	68,086,886
AXA EQUITABLE PORTFOLIO:										
AXA equitable	7,172,667	-	3,432,777	-	-	-	-	-	10,605,444	9,461,704
FIXED INCOME PORTFOLIO:										
Core fixed income	7,073,405	-	3,562,632	-	1,644,617	-	-	-	12,280,654	11,342,503
Doubleline total return	4,906,535		2,471,254	-	1,140,804	-	-	-	8,518,593	-
Pimco foreign bond fund	2,841,021	-	1,430,925	-	660,558	-	-	-	4,932,504	5,612,540
Pimco unconstrained bonds	-	-	-	-	-	-	-	-	-	1,973,913
TCW total return	-	-	-	-	-	-	-	-	-	3,052,003
Municipal bonds	4,322,731	-	2,177,212	-	1,005,066	-	-	-	7,505,009	6,830,543
Money market funds	113,626	-	57,229	-	26,419	-	-	-	197,274	10,600
Total fixed income portfolio	19,257,318	-	9,699,252	-	4,477,464	-	-	-	33,434,034	28,822,102
Pooled investment assets	61,810,471	12,417,030	35,636,046	5,232,884	4,477,464	-	-	-	119,573,895	106,370,692
Less: contingent sales charge	-	-	-	-	-	-	-	-	-	(100,000)
Net pooled investment assets	61,810,471	12,417,030	35,636,046	5,232,884	4,477,464	-	-	-	119,573,895	106,270,692
FCMM-MANAGED PORTFOLIO:										
Other investments:										
American funds	-	-	-	-	-	15,410,335	-	-	15,410,335	10,853,515
Vanguard funds	-	-	-	-	-	-	9,917,076	-	9,917,076	5,358,458
CIF certificates	-	-	-	-	-	-	-	894,988	894,988	471,124
Cash	881,313	-	-	105,955	-	147,331	59,081	2,495	1,196,175	498,684
Accrued interest income	30,600	-	-	-	-	-	-	-	30,600	19,454
Prepaid expenses and accrued interest	284,745	-	-	-	-	-	-	-	284,745	251,487
Software	20,335	-	-	-	-	-	-	-	20,335	52,480
Total FCMM managed assets	1,216,993	-	-	105,955	-	15,557,666	9,976,157	897,483	27,754,254	17,505,202
Liabilities:										
Federal and state income tax withheld	2,371	-	-	-	-	-	-	-	2,371	-
Accounts payable	16,499	-	-	-	-	-	-	-	16,499	16,000
Due to related party	58,644	-	-	-	-	-	-	-	58,644	57,159
Total FCMM-managed liabilities	77,514	-	-	-	-	-	-	-	77,514	73,159
Net value of FCMM-managed portfolio	1,139,479	-	-	105,955	-	15,557,666	9,976,157	897,483	27,676,740	17,432,043
Net Assets Available for Benefits	$ 62,949,950	$ 12,417,030	$ 35,636,046	$ 5,338,839	$ 4,477,464	$ 15,557,666	$ 9,976,157	$ 897,483	$ 147,250,635	$ 123,702,735

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN

Statement of Changes in Net Assets Available for Benefits - By Portfolio
Year Ended December 31, 2012
(With Comparative Totals for 2011)

	Program A	Program B	Program C	Program D	Program E	Program F	Program G	Program H	Total 2012	Total 2011
Pooled investment assets:										
STOCK PORTFOLIO										
Investment income:										
Net appreciation (depreciation) in fair value:										
Stocks and equity mutual funds	$ 3,486,159	$ 1,091,980	$ 1,946,551	$ 473,614	$ -	$ -	$ -	$ -	$ 6,998,304	$ (5,231,466)
Dividends	704,116	232,785	420,880	97,829	-	-	-	-	1,455,610	1,212,051
Interest	12	4	7	2	-	-	-	-	25	195
Total investment income	4,190,287	1,324,769	2,367,438	571,445	-	-	-	-	8,453,939	(4,019,220)
Investment expenses:										
Fund manager fees	91,332	29,263	52,612	12,472	-	-	-	-	185,679	171,091
Graystone consulting fees	31,771	10,005	17,994	4,207	-	-	-	-	63,977	71,686
Total investment expenses	123,103	39,268	70,606	16,679	-	-	-	-	249,656	242,777
Net investment income	4,067,184	1,285,501	2,296,832	554,766	-	-	-	-	8,204,283	(4,261,997)
Transfers between programs and portfolios	(3,292,532)	646,518	1,786,309	102,956	-	-	-	-	(756,749)	(5,960,390)
Net Change in Stock Portfolio Value	774,652	1,932,019	4,083,141	657,722	-	-	-	-	7,447,534	(10,222,387)
AXA EQUITABLE PORTFOLIO										
Investment income:										
Net appreciation (depreciation) in fair value	796,010	-	347,729	-	-	-	-	-	1,143,739	(605,543)
Transfers between programs and portfolios	(273,384)	-	273,384	-	-	-	-	-	-	10,067,247
Net Change in AXA Portfolio Value	522,626	-	621,113	-	-	-	-	-	1,143,739	9,461,704

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN

Statement of Changes in Net Assets Available for Benefits - By Portfolio, continued
Year Ended December 31, 2012
(With Comparative Totals for 2011)

	Program A	Program B	Program C	Program D	Program E	Program F	Program G	Program H	Total 2012	Total 2011
FIXED INCOME PORTFOLIO										
Investment income:										
Net appreciation (depreciation) in fair value:										
Bond mutual funds	1,286,072	-	584,448	-	265,784	-	-	-	2,136,304	(274,976)
Dividends	1,029,466	-	494,619	-	228,139	-	-	-	1,752,224	1,461,645
Interest	7,796	-	3,732	-	1,732	-	-	-	13,260	7,930
Total investment income	2,323,334	-	1,082,799	-	495,655	-	-	-	3,901,788	1,194,599
Investment expenses:										
Fund manager fees	-	-	-	-	-	-	-	-	-	-
Graystone consulting fees	27,758	-	12,929	-	5,920	-	-	-	46,607	40,071
Total investment expenses	27,758	-	12,929	-	5,920	-	-	-	46,607	40,071
Net investment income	2,295,576	-	1,069,870	-	489,735	-			3,855,181	1,154,528
Transfers between programs and portfolios	(382,339)	-	765,621	-	373,467	-	-	-	756,749	(2,923,741)
Net Change in Fixed Income Portfolio Value	1,913,237	-	1,835,491	-	863,202	-	-	-	4,611,930	(1,769,213)
Net change in pooled investment assets before reduction in contingent sales charge	3,210,515	1,932,019	6,539,745	657,722	863,202	-	-	-	13,203,203	(2,529,896)
Reduction in contingent sales charge	100,000	-	-	-	-	-	-	-	100,000	200,000
Net Change in Pooled Investment Assets	3,310,515	1,932,019	6,539,745	657,722	863,202	-	-	-	13,303,203	(2,329,896)
Beginning Portfolio Value	58,499,956	10,485,011	29,096,301	4,575,162	3,614,262	-	-	-	106,270,692	108,600,588
Ending Portfolio Value	$ 61,810,471	$ 12,417,030	$ 35,636,046	$ 5,232,884	$ 4,477,464	$ -	$ -	$ -	$ 119,573,895	$ 106,270,692

FREE CHURCH MINISTERS' AND MISSIONARIES' RETIREMENT PLAN

Statement of Changes in Net Assets Available for Benefits - By Portfolio, continued
Year Ended December 31, 2012
(With Comparative Totals for 2011)

	Program A	Program B	Program C	Program D	Program E	Program F	Program G	Program H	Total 2012	Total 2011
FCMM MANAGED PORTFOLIO										
Investment income:										
Net appreciation (depreciation) in fair value:	$ -	$ -	$ -	$ -	$ -	$ 1,446,141	$ 628,002	$ -	$ 2,074,143	$ (358,933)
Dividends	-	-	-	-	-	-	-	16,955	16,955	6,208
Interest	995	-	-	-	-	-	-	-	995	754
Net investment income	995	-	-	-	-	1,446,141	628,002	16,955	2,092,093	(351,971)
Administrative expenses	483,713	89,933	255,963	37,951	31,723	-	-	-	899,283	833,229
Additions:										
Contributions:										
Employer - Program B	-	1,316,440	-	-	-	-	-	-	1,316,440	1,084,064
Employer - Program C	-	-	3,428,590	-	-	-	-	-	3,428,590	3,539,921
Employee - Program D	-	-	-	907,173	-	-	-	-	907,173	863,447
Employee - Program E	-	-	-	-	685,148	-	-	-	685,148	356,135
Employee - Program F	-	-	-	-	-	3,290,584	-	-	3,290,584	2,886,897
Employee - Program G	-	-	-	-	-	-	3,624,552	-	3,624,552	1,585,350
Employee - Program H	-	-	-	-	-	-	-	327,935	327,935	462,948
Total Additions	-	1,316,440	3,428,590	907,173	685,148	3,290,584	3,624,552	327,935	13,580,422	10,778,762
Deductions:										
Benefits paid to participants	2,932,161	426,674	378,839	176,032	72,246	236,575	248,875	57,133	4,528,535	5,090,590
Transfers between programs and portfolios	3,948,255	(646,518)	(2,825,314)	(102,956)	(373,467)	-	-	-	-	(1,183,116)
Option to option transfers	-	(153,315)	31,526	(484,279)	(207,712)	120,238	580,756	112,786	-	-
	3,948,255	(799,833)	(2,793,788)	(587,235)	(581,179)	120,238	580,756	112,786	-	(1,183,116)
Net Change in FCMM Managed Portfolio	533,376	-	-	105,955	-	4,620,388	4,584,435	400,543	10,244,697	3,319,856
Beginning Portfolio Value	606,103	-	-	-	-	10,937,278	5,391,722	496,940	17,432,043	14,112,187
Ending Portfolio Value	$ 1,139,479	$ -	$ -	$ 105,955	$ -	$ 15,557,666	$ 9,976,157	$ 897,483	$ 27,676,740	$ 17,432,043
Combined Net Change in all Plan Portfolios	$ 3,843,891	$ 1,932,019	$ 6,539,745	$ 763,677	$ 863,202	$ 4,620,388	$ 4,584,435	$ 400,543	$ 23,547,900	$ 989,960
Net Assets Available for Benefits:										
Beginning of Year	59,106,059	10,485,011	29,096,301	4,575,162	3,614,262	10,937,278	5,391,722	496,940	123,702,735	122,712,775
End of Year	$ 62,949,950	$ 12,417,030	$ 35,636,046	$ 5,338,839	$ 4,477,464	$ 15,557,666	$ 9,976,157	$ 897,483	$ 147,250,635	$ 123,702,735