



Finance Committee
Bethany United Methodist Church
10010 Anderson Mill Rd.
Austin, TX 78750

We have audited the financial statements of Bethany United Methodist Church for the year ended December 31, 2010, and have issued our report thereon dated September 21, 2011. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Bethany United Methodist Church's financial reporting process.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 13, 2011, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

- Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
- As part of our audit, we considered the internal control of Bethany United Methodist Church. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
- We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Accounting Practices

Adoption of, or Change in, Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Bethany United Methodist Church are described in Note A to the financial statements. The Church adopted FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. There was no impact to the Church's financial statements as a result of the implementation of FASB ASC 740-10.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

As noted in our report on the financial statements of the Church, property and equipment is not capitalized and maintained in accordance with generally accepted accounting principles. Instead, the Church records its property and equipment based on values provided to it in connection with its risk assessment for insurance purposes. We were not able to obtain sufficient records that would enable us to correct the balances of property and equipment to comply with generally accepted accounting principles.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 21, 2011. Copies of the representations are attached.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Church's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant Issues Discussed with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Bethany United Methodist Church's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the information and use of the Finance Committee and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to Bethany United Methodist Church.

Atchley + Associates, LLP

Austin, Texas
September 21, 2011



September 21, 2011

Atchley & Associates, LLP
6850 Austin Center Blvd., Ste 180
Austin, TX 78731

In connection with your audit of the financial statements of Bethany United Methodist Church as of December 31, 2010 and the related statements of revenues, expenses and other changes in net assets, and cash flows for the year then ended, we confirm that we are responsible for the fair presentation in the financial statements in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, make it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

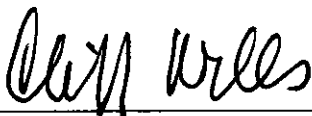
We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America, except for the accounting for fixed assets.
2. We have made available to you all:
 - a. Financial records and related data.
 - b. Minutes of the meetings of the finance committee and administrative board of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. We have no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in the internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
4. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
5. We have no knowledge of any allegations of fraud or suspected fraud affecting the Church received in communications from employees, former employees, or others.

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6. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Church's ability to record, process, summarize, and report financial data.
7. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
8. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
 - a. The Church has no significant amounts of idle property and equipment or permanent excess plant capacity.
 - b. The Church has no plans or intentions to discontinue the operations of any subsidiary or branch or to discontinue any significant services or activities.
9. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Security agreements in effect under the Uniform Commercial Code.
 - b. All other liens or encumbrances on assets and all other pledges of assets.
 - c. All leases and material amounts of rental obligations under long-term leases.
 - d. Related-party relationships, transactions, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees.
 - e. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the FASB Accounting Standards Codification 275, *Risks and Uncertainties* (SOP 94-6, *Disclosure of Certain Significant Risks and Uncertainties*). Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year.
10. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
 - a. To reduce receivables to their estimated net collectable amounts.
 - b. To reduce obsolete, damaged, or excess inventories to their estimated net realizable values.
11. There are no:
 - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements, except for fixed assets.
 - b. Amounts of contractual obligations for plant construction and/or purchase of real property, equipment, other assets, and intangibles.
 - c. Liabilities that are subordinated to any other actual or possible liabilities of the Church.
 - d. Guarantees, whether written or oral, under which the Church is contingently liable.

- e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - f. Lines of credit or similar arrangements.
 - g. Agreements to repurchase assets previously sold.
 - h. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
 - i. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Accounting Standards Codification 450, *Contingencies* (FAS-5, *Accounting for Contingencies*).
12. We are not aware of any pending or threatened litigation, claims or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with FASB Accounting Standards Codification 450, *Contingencies* (FAS-5, *Accounting for Contingencies*), and we have not consulted a lawyer concerning litigation, claims, or assessments.
13. The Church has satisfactory title to all owned assets.
14. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
15. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through the date of this letter, have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the balance sheet date and through the date of this letter that would require recognition or disclosure in the financial statements. We further represent that, as of the date of this letter, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America, other than the presentation of property and equipment, and all approvals necessary for issuance of the financial statements had been obtained.
16. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.



Bethany United Methodist Church
Cliff Wells
Administrative Director