

**SOUTHERN CALIFORNIA CONFERENCE
OF SEVENTH-DAY ADVENTISTS**

Audited Consolidated Financial Statements

Years Ended December 31, 2010, 2009, 2008, and 2007



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To the Constituents
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We have audited the accompanying consolidated statements of financial position of Southern California Conference of Seventh-day Adventists (Organization), as of December 31, 2010, 2009, 2008, and 2007, and the related consolidated statements of changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with United States of America auditing standards generally accepted by the Seventh-day Adventist denomination. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, as internal auditors of the General Conference of Seventh-day Adventists, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southern California Conference of Seventh-day Adventists, as of December 31, 2010, 2009, 2008, and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with United States of America accounting principles generally accepted by the Seventh-day Adventist denomination.

General Conference Auditing Service

General Conference Auditing Service

April 27, 2011

SOUTHERN CALIFORNIA CONFERENCE OF SEVENTH-DAY ADVENTISTS
Consolidated Statements of Financial Position
December 31, 2010, 2009, 2008, and 2007

ASSETS		2010*	2009*	2008*	2007*
Current Assets					
Cash and Cash Equivalents	(Note 2)	\$ 590,011	267,621	712,821	1,536,695
Investments	(Note 3)	6,290,699	6,672,019	7,137,171	9,620,135
Accounts Receivable, Net	(Note 4)	4,862,873	4,988,036	4,806,640	6,364,088
Notes and Loans Receivable	(Note 5)	641,778	954,873	1,910,256	852,324
Inventory and Prepaid Expense	(Note 6)	293,501	571,449	342,607	362,910
Total Current Assets		<u>12,678,862</u>	<u>13,453,998</u>	<u>14,909,495</u>	<u>18,736,152</u>
Plant Assets, Net	(Note 7)	<u>53,723,253</u>	<u>55,519,842</u>	<u>51,109,212</u>	<u>43,268,868</u>
Other Assets					
Cash and Investments - Trust Funds		486,645	521,712	455,034	530,034
Notes and Loans Receivable, Net Long-Term	(Note 5)	5,198,182	4,744,460	3,468,448	4,527,980
Deferred Charges	(Note 8)	5,412,178	5,053,969	5,015,012	4,983,399
Investments in Real Estate	(Note 10)	3,288,744	3,128,146	2,877,909	2,314,945
Investment in Partnership and LLC	(Note 9)	-	509,001	1,108,890	1,500,000
For Other Than Operating Funds:					
Cash and Investments	(Note 3)	11,651,602	10,700,817	11,662,111	12,722,428
Accounts Receivable		5,612	4,670	4,267	6,243
Assets Held in Trust	(Note 11)	<u>23,239,288</u>	<u>24,141,845</u>	<u>28,249,975</u>	<u>19,373,222</u>
Total Other Assets		<u>49,282,251</u>	<u>48,804,620</u>	<u>52,841,646</u>	<u>45,958,251</u>
TOTAL ASSETS		<u>\$ 115,684,366</u>	<u>117,778,460</u>	<u>118,860,353</u>	<u>107,963,271</u>

* Interfund and related party activity is eliminated in consolidated totals.

The accompanying notes are an integral part of this statement.



SOUTHERN CALIFORNIA CONFERENCE OF SEVENTH-DAY ADVENTISTS
Consolidated Statements of Financial Position
December 31, 2010, 2009, 2008, and 2007

LIABILITIES		2010*	2009*	2008*	2007*
Current Liabilities					
Accounts Payable	(Note 12)	\$ 4,233,705	4,462,620	4,111,166	4,389,010
Notes and Mortgages Payable	(Note 13)	10,059,304	9,615,432	10,381,813	5,166,538
Trust Funds	(Note 15)	206,856	275,766	324,333	320,869
Total Current Liabilities		14,499,865	14,353,818	14,817,312	9,876,417
Other Liabilities					
Accounts Payable		22,922	16,372	1,452,026	1,451,808
Retirement Allowance		11,753	10,820	10,102	8,086
Notes and Mortgages Payable, Long-Term	(Note 13)	11,537,294	12,176,325	10,412,838	12,243,387
Trust Funds	(Note 15)	486,645	521,712	455,034	530,034
For Other Than Operating Funds:					
Accounts Payable		16,603	21,841	22,011	148,119
Notes and Mortgages Payable	(Note 13)	1,374,539	1,467,579	1,562,734	1,634,527
Liability to Remainder Beneficiaries	(Note 17)	8,232,460	8,677,486	14,865,566	4,983,062
Present Value of Annuity Liability	(Note 20)	985,365	1,017,468	1,064,515	1,113,646
Liability to Depositors	(Note 16)	9,135,355	8,757,452	9,706,285	6,831,190
Liabilities Held In Trust	(Note 17)	10,502,567	10,710,418	11,058,224	12,528,624
Total Other Liabilities		42,305,503	43,377,473	50,609,335	41,472,483
TOTAL LIABILITIES		56,805,368	57,731,291	65,426,647	51,348,900
NET ASSETS					
Unrestricted: Unallocated		5,581,014	5,861,191	6,262,087	7,660,345
Unrestricted: Allocated		(5,206,662)	(6,153,484)	(6,351,043)	4,486,167
Unrestricted: Net Invested In Plant		52,541,215	54,244,763	49,756,478	41,275,840
Total Unrestricted		52,915,567	53,952,470	49,667,522	53,422,352
Temporarily Restricted	(Note 18)	5,963,431	6,094,699	3,766,184	3,192,019
Total Net Assets		58,878,998	60,047,169	53,433,706	56,614,371
TOTAL LIABILITIES AND NET ASSETS		\$ 115,684,366	117,778,460	118,860,353	107,963,271

* Interfund and related party activity is eliminated in consolidated totals.

The accompanying notes are an integral part of this statement.



SOUTHERN CALIFORNIA CONFERENCE OF SEVENTH-DAY ADVENTISTS
Consolidated Statements of Changes in Net Assets, page 1 of 2
Years Ended December 31, 2010, 2009, 2008, and 2007

	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>	<u>2007*</u>
CHANGES IN UNRESTRICTED NET ASSETS				
Unrestricted Revenues, Gains, and Support				
Gross Tithe Income	\$ 31,300,554	33,062,692	32,610,668	38,452,433
Tithe Percentages Passed On	(8,044,593)	(8,602,171)	(8,484,192)	(9,991,681)
Net Tithe Income	<u>23,255,961</u>	<u>24,460,521</u>	<u>24,126,476</u>	<u>28,460,752</u>
Tithe Exchanged with General Conference	(356,620)	(396,265)	(361,187)	(417,701)
Non-Tithe Funds from General Conference	356,620	396,265	361,187	417,701
Matured Trusts and Wills	829,606	1,304,387	1,442,224	1,245,516
Investment Earnings	243,387	435,108	(520,111)	710,524
Church Schools	4,344,000	4,515,720	4,675,680	4,738,514
Departmental Fees and Sales	2,076,884	2,011,470	2,298,387	2,628,416
Subsidies and Donations	429,793	431,771	514,582	447,970
Residence Rental Income	258,882	246,340	291,093	274,596
Annuities, Net Earnings	(91,876)	(16,696)	(75,339)	70,773
Other	1,107,480	1,145,342	830,075	1,287,291
Adventist Book Center	411,374	410,962	394,306	279,987
Total Unrestricted Revenues and Gains	<u>32,865,491</u>	<u>34,944,925</u>	<u>33,977,373</u>	<u>40,144,339</u>
Net Assets Released from Restrictions (Note 18)	<u>2,397,129</u>	<u>3,398,783</u>	<u>2,649,305</u>	<u>2,786,619</u>
Total Unrestricted Revenues, Gains, and Support	<u>35,262,620</u>	<u>38,343,708</u>	<u>36,626,678</u>	<u>42,930,958</u>
Expenses and Losses				
Program Services				
Church Ministries	16,016,749	17,360,919	18,125,814	17,223,870
Education	9,852,711	10,609,028	10,566,427	10,650,333
Publishing	175,213	171,172	172,551	136,671
Special Services	57,573	243,311	228,551	111,366
Retirement and Other	3,806,288	4,421,414	4,723,031	5,827,798
Total Program Services Functions	<u>29,908,534</u>	<u>32,805,844</u>	<u>33,816,374</u>	<u>33,950,038</u>
Supporting Services				
Administration-Office Resources	1,441,660	1,451,998	1,471,607	1,451,158
Conventions and Meetings	68,159	11	1,147	44,510
Residence Rentals	136,807	154,901	133,901	259,141
Other	2,379,564	2,476,797	2,767,353	2,460,203
Adventist Book Center	408,930	408,676	440,907	410,000
Total Supporting Services Functions	<u>4,435,120</u>	<u>4,492,383</u>	<u>4,814,915</u>	<u>4,625,012</u>
Total Expenses and Losses	<u>34,343,654</u>	<u>37,298,227</u>	<u>38,631,289</u>	<u>38,575,050</u>
Net Increase (Decrease) from Operations	<u>918,966</u>	<u>1,045,481</u>	<u>(2,004,611)</u>	<u>4,355,908</u>
Increase (Decrease) Before Nonoperating Activity	<u>918,966</u>	<u>1,045,481</u>	<u>(2,004,611)</u>	<u>4,355,908</u>

* Interfund and related party activity is eliminated in consolidated totals.

The accompanying notes are an integral part of this statement.



SOUTHERN CALIFORNIA CONFERENCE OF SEVENTH-DAY ADVENTISTS
Consolidated Statements of Changes in Net Assets, page 2 of 2
Years Ended December 31, 2010, 2009, 2008, and 2007

		<u>2010*</u>	<u>2009*</u>	<u>2008*</u>	<u>2007*</u>
Nonoperating Activity	(Note 19)				
Nonoperating Revenue		1,064,116	6,380,681	9,484,504	2,963,746
Nonoperating Expense		(2,918,119)	(3,141,216)	(12,741,060)	(8,881,276)
Net Gain (Loss) on Sale of Assets		(101,866)	-	1,506,337	1,720,437
Net Increase (Decrease) from Nonoperating Activity		<u>(1,955,869)</u>	<u>3,239,465</u>	<u>(1,750,219)</u>	<u>(4,197,093)</u>
Increase (Decrease) Unrestricted Net Assets		<u>(1,036,903)</u>	<u>4,284,946</u>	<u>(3,754,830)</u>	<u>158,815</u>
Changes in Unrestricted Net Assets					
Increase (Decrease) Unrestricted Net Assets		(1,036,903)	4,284,946	(3,754,830)	158,815
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Restricted Income:					
Subsidies		2,328,420	3,103,426	2,517,978	2,502,251
Offerings		187,120	152,753	219,190	158,602
Donations		-	43,366	21,653	16,568
Irrevocable Trusts, Net Earnings		(249,679)	2,427,755	464,649	21,112
Other Income		-	-	-	95,145
Total Restricted Income Received	(Note 18)	2,265,861	5,727,300	3,223,470	2,793,678
Net Assets Released from Restrictions	(Note 18)	<u>(2,397,129)</u>	<u>(3,398,783)</u>	<u>(2,649,305)</u>	<u>(2,786,619)</u>
Increase (Decrease) Temporarily Restricted Net Assets		<u>(131,268)</u>	<u>2,328,517</u>	<u>574,165</u>	<u>7,059</u>
Increase (Decrease) in Net Assets		<u>(1,168,171)</u>	<u>6,613,463</u>	<u>(3,180,665)</u>	<u>165,874</u>
Beginning Net Assets, as Previously Stated		60,047,169	53,433,706	56,614,371	54,670,299
Prior Period Adjustment	(Note 29)	-	-	-	1,778,198
Adjusted Net Assets at Beginning of the Year		<u>60,047,169</u>	<u>53,433,706</u>	<u>56,614,371</u>	<u>56,448,497</u>
Net Assets, End of Year		<u>\$ 58,878,998</u>	<u>60,047,169</u>	<u>53,433,706</u>	<u>56,614,371</u>

* Interfund and related party activity is eliminated in consolidated totals.

The accompanying notes are an integral part of this statement.

SOUTHERN CALIFORNIA CONFERENCE OF SEVENTH-DAY ADVENTISTS
Consolidated Statements of Cash Flows, Page 1 of 2
Years Ended December 31, 2010, 2009, 2008, and 2007

	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>	<u>2007*</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Increase (Decrease) in Net Assets	\$ (1,168,171)	6,613,463	(3,180,665)	165,874
Adjustments to reconcile change in net assets to net cash provided:				
Depreciation Expense	1,775,838	1,927,702	1,432,933	1,467,541
Provision for Uncollectable Accounts	110,000	114,000	150,000	-
Annuities Actuarial Adjustment	281,414	(47,843)	(49,762)	(139,965)
Annuity Fund Income less Payments	(143,525)	139,149	107,903	(1,634,700)
(Gain) Loss on Disposal of Plant Assets	-	-	(1,512,501)	(86,893)
Church and School Properties Added	-	(6,266,827)	3,448,730	-
Unrealized (Appreciation) Decline in Market Value	(632,883)	(548,029)	1,921,645	88,340
(Increase) Decrease Accounts Receivable	15,163	(296,324)	1,397,264	(341,700)
(Increase) Decrease Inventory and Prepaid Expense	277,948	(228,841)	21,231	(1,448)
Increase (Decrease) Accounts Payable	(227,980)	(1,082,752)	(182,505)	1,628,204
Increase (Decrease) Trust Funds	(103,977)	18,112	(71,536)	141,805
Net Cash Provided (Used) from Operating	<u>183,827</u>	<u>341,810</u>	<u>3,482,737</u>	<u>1,287,058</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Maturity of Investments	2,450,468	5,641,396	9,337,141	9,791,212
Purchases of Investments	(2,351,983)	(3,733,601)	(9,142,810)	(14,503,415)
(Proceeds) Payments Accounts Receivable	(942)	(403)	1,976	1,184
Payments Received on Notes Receivable	436,572	400,254	2,319,267	2,288,607
New Notes Receivable Issued	(943,305)	(733,957)	(2,063,855)	(859,721)
Purchases of Plant Assets	(81,115)	(67,095)	(11,431,020)	(6,159,269)
Proceeds from Sale of Plant Assets	101,866	(4,408)	1,559,000	2,430,000
(Proceeds) Payments Investments in Real Estate	(160,598)	(249,414)	(563,892)	82,892
(Proceeds) Payments Investment in Partnership and LLC	509,001	599,889	472,789	-
(Proceeds) Payments Assets Held in Trust	902,557	4,108,130	(8,876,753)	1,053,939
Net Cash Provided (Used) from Investing	<u>862,521</u>	<u>5,960,791</u>	<u>(18,388,157)</u>	<u>(5,874,571)</u>

* Interfund and related party activity is eliminated in consolidated totals.

The accompanying notes are an integral part of this statement.



SOUTHERN CALIFORNIA CONFERENCE OF SEVENTH-DAY ADVENTISTS
Consolidated Statements of Cash Flows, Page 2 of 2
Years Ended December 31, 2010, 2009, 2008, and 2007

	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>	<u>2007*</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds (Payments) Accounts Payable	1,312	(798)	(125,890)	(631)
Principal Payments on Notes Payable	(621,155)	(363,382)	(1,876,259)	(665,971)
Proceeds from External Borrowing	340,853	1,239,450	4,903,768	5,153,548
Proceeds from New Gift Annuities	130,924	-	-	12,857
Annuities Investment Income	33,087	37,861	76,180	104,619
Annuity Payments	(176,612)	(176,214)	(183,452)	(163,760)
Distribution of Matured Annuities	(157,391)	-	-	(54,030)
Proceeds (Payments) Liability to Depositors	377,902	(948,833)	2,875,095	15,058
Proceeds (Payments) on Remainder Beneficiary	(445,027)	(6,188,079)	9,882,504	(1,187,766)
Proceeds (Payments) Liabilities Held In Trust	(207,851)	(347,806)	(1,470,400)	112,715
Net Cash Provided (Used) from Financing	<u>(723,958)</u>	<u>(6,747,801)</u>	<u>14,081,546</u>	<u>3,326,639</u>
Net Increase (Decrease) Cash and Cash Equivalents	322,390	(445,200)	(823,874)	(1,260,874)
Cash and Cash Equivalents, Beginning of Year	<u>267,621</u>	<u>712,821</u>	<u>1,536,695</u>	<u>2,797,569</u>
Cash and Cash Equivalents, End of Year	<u>\$ 590,011</u>	<u>267,621</u>	<u>712,821</u>	<u>1,536,695</u>
Supplemental Cash Flow Data:				
Cash paid during the year for interest	<u>\$ 651,664</u>	<u>825,527</u>	<u>1,051,453</u>	<u>1,249,962</u>

Revenue for the year includes non-cash donations received, in the form of church and school properties added, of \$0, \$6,266,827, \$5,889,184 and \$0, for December 31, 2010, 2009, 2008, and 2007, respectively.

* Interfund and related party activity is eliminated in consolidated totals.

The accompanying notes are an integral part of this statement.



SOUTHERN CALIFORNIA CONFERENCE OF SEVENTH-DAY ADVENTISTS
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2010, 2009, 2008, and 2007

Note 1 Organization Description and Summary of Significant Accounting Policies

Seventh-day Adventist congregations within Los Angeles and Ventura Counties, that part of Kern County that lies south and east of the Tehachapi Mountains, and that part of Santa Barbara County that lies to the east of the 120th meridian, have formed Southern California Conference of Seventh-day Adventists (Conference), Korean Adventist Press, and Academy Mutual Water Company. Because of the relationship between these entities, their financial statements are consolidated (Organizations).

The Organizations' primary purpose is to spread the gospel of Jesus Christ throughout their territory. The Conference supports the operation of all churches and schools in its territory, and is a member organization of Pacific Union Conference of Seventh-day Adventists. The Association holds legal title to all denominational property in its territory, and performs certain fiduciary duties. The Organizations receive most of their revenue in the form of contributions from members and other individuals in its constituent congregations.

The Organizations are religious not-for-profit organizations, and are exempt from federal, state, and local income taxes under the provisions of Section 501 (c) (3) of the Internal Revenue Code and corresponding sections of applicable state and local codes; except for taxes on Unrelated Business Income as described section 511-514 of the Internal Revenue Code.

Summary of Significant Accounting Policies

(a) The significant accounting policies of the Organizations are essentially the same as generally accepted accounting principles for not-for-profit organizations as promulgated by the Financial Accounting Standards Board and the American Institute of Certified Public Accountants. The significant policies are described below to enhance the usefulness of the financial statements. The financial statements of the Organizations have been prepared on the accrual basis of accounting. In conformity with the accrual basis of accounting, the Organization has evaluated events that occurred subsequent to the financial statement date, up to April 27, 2011, which is the date the financial statements were issued.

(b) The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Restricted Resources: The Organizations report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organizations report gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(d) Plant Assets and Depreciation: Uses of operating funds for plant acquisitions and debt service payments are accounted for as committee approved transfers to plant funds. Such transfers include depreciation funding as well as additional movements of operating funds to plant funds. Restricted proceeds from sale of assets and restricted income from plant fund investments are recorded as restricted support. Both principal and interest payments made to retire plant fund debt are recorded in the Plant Fund. Plant assets are recorded at cost when purchased or at fair market value at date of gift. Depreciation of land improvements, buildings, and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Depreciation expense is included in operating expense reported by various Program and Supporting Services in the statement of changes in unrestricted net assets.

In its corporate capacity, the Conference holds legal title to the church and school properties used by the local church congregations. The value of these properties is included in the Plant Fund, and the related depreciation expense is recorded as nonoperating expense in the Statement of Changes in Unrestricted Net Assets.

Capitalization Policy: The Organizations have chosen to capitalize all individual assets costing more than \$500 and having a useful life of greater than one year.

(e) Cash Equivalents: Cash equivalents are highly-liquid assets of the Operating Funds, which are readily convertible to cash and have a maturity date of less than three months from date of acquisition. Cash and investments of Funds Other than Operating are not classified as cash and cash equivalents. The increase or decrease in non-operating cash and investments is reported in the statement of cash flows as proceeds or purchases of investments.

(f) Fair value of Financial Instruments: Following are the major methods and assumptions used to estimate fair values:

Short-term financial instruments are valued at their carrying amounts included in the statement of financial position, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This applies to cash, cash equivalents, accounts receivable, and certain current liabilities.

SOUTHERN CALIFORNIA CONFERENCE OF SEVENTH-DAY ADVENTISTS
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2010, 2009, 2008, and 2007

Note 1 Organization Description and Summary of Significant Accounting Policies, Continued

Investment securities are valued at quoted market price or other reasonably obtainable market value estimate at the reporting date for those or similar securities. The difference between aggregate market value and historical cost for each type of security is recorded in a valuation account. The change in this account during each period is recognized as a gain or loss.

Notes receivable and notes payable are valued at the amortized amount receivable or payable at the reporting date. Allowance has been made for notes which are not expected to be collected. The net total approximates the discounted value of future cash flows expected to be received or paid. Because of the difficulty and inherent subjectivity involved in determining fair values, which is not susceptible to independent substantiation, management has not attempted to estimate the fair value of loans receivable from related or affiliated entities. Such loans, by intent and practice, are expected to be held to maturity and are valued at face value.

(g) Current Assets and Liabilities: Assets and liabilities are classified as current or long-term depending on their characteristics. This excludes from current assets, cash and claims to cash that are restricted to use for other than current operations, committee allocated for the acquisition or construction of plant assets or for the liquidation of plant fund debt, or are held as agent for others. This excludes from current liabilities, the long-term portion of all debt, plant fund debt payable within the next fiscal year to the extent covered by designated plant fund liquid assets, or amounts held as fiscal agent for others. Working capital (current assets less current liabilities) for the Organizations usually reflect working capital of only the operating funds, since usually no assets or liabilities of the plant, annuity, agency fund, endowment, and trust funds are classified as current.

(h) Investment Income: Ordinary income from investments, loans, and the like is accounted for in the fund owning the assets.

(i) Inventories: Inventories are valued at lower of cost or market using the first-in-first-out method.

(j) Split-interest Agreements: The Organizations are at least a partial beneficiary in various kinds of trust, annuities, and/or other split-interest agreements for which they act as trustees or administrators. Other organizations are partial beneficiaries of some of these agreements. For those agreements that are unconditional and irrevocable, assets are recorded by the Organizations at fair value at the date of gift or acceptance of agreement. For agreements that designate other beneficiaries, liabilities are recorded for the present value of the amount due to others. Conservative discount rates are used to compute the present value of such liabilities. Standard actuarial tables and conservative interest rates are used to compute liabilities due to annuitants. The Organizations' remainder interest is classified as unrestricted or temporarily restricted depending on the terms of each agreement; see Note 25 below. The State of California requires the Organizations to maintain a reserve amount in a separate fund for all California annuitants. California regulations provide restrictions on the types of investments that can be owned by the reserve. At December 31, 2010, 2009, 2008 and 2007, the Organizations maintained a reserve which was invested in accordance with California regulations of \$1,136,649, \$1,097,188, \$1,097,188, and \$1,150,707, respectively.

(k) Affiliated Organizations: The Organizations operate through several organizations with which they are affiliated by reason of economic interest and/or shared membership on the respective governing committees. With exception to Academy Mutual Water Company, CEDU, Inc., Korean Adventist Press, and Ventura Estates, the financial statements of these other organizations are not combined with these Organizations because they do not meet the criteria for consolidation. Inter-organization transactions carried on in the ordinary course of business are handled through current accounts receivable and payable, and are settled generally on a monthly basis; (See Notes 4 and 12 below.) Other financial transactions including appropriations and loans are detailed in Notes 5, 8, 13, 17, 18, 21 and 22 below. The specific organizations referred to above are:

General Conference of Seventh-day Adventists (GC):

The GC is the world headquarters of the Seventh-day Adventist denomination and as such determines the operating and accounting policies to be followed by church institutions.

North American Division of the General Conference of Seventh-day Adventists (NAD):

The NAD is the organization responsible for church activities in North America. The NAD determines policies for institutions within North America in accordance with GC policies.

Pacific Union Conference of Seventh-day Adventists (PUC):

The PUC is the organization responsible for church activities in the states of Arizona, California, Hawaii, Nevada, and Utah. The PUC determines policies for institutions within the above states in accordance with NAD policies.

Academy Mutual Water Company (AMWC):

A for-profit California Corporation which is wholly owned by the Southern California Association of Seventh-day Adventists. The purpose of AMWC is to distribute water to limited areas in Newbury Park, California. The entity is governed by a separate board of directory whose members include officers of the Conference.

CEDU, Inc. (CEDU):

A for-profit California Corporation which is wholly owned by the Southern California Association of Seventh-day Adventists. CEDU was formed to operate as a holding company for real estate which is to be developed in Newbury Park, California. The entity is governed by a separate board of directors whose members include officers of the Conference.

Korean Adventist Press (KAP): The KAP is operated by the Conference, and whose members include other officers of the Conference. Its purpose is to provide and disseminate Korean language Christian literature. Most of KAP's dealings are with the Korean language congregations of NAD and with the Conference itself.



SOUTHERN CALIFORNIA CONFERENCE OF SEVENTH-DAY ADVENTISTS
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Note 1 Organization Description and Summary of Significant Accounting Policies, Continued

(l) Fund Accounting: To ensure observance of limitations and restrictions placed on the use of resources available to the Organizations, the accounts are maintained in accordance with the principles of fund accounting. Resources are classified for accounting and reporting into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds have been combined into groups and totals are presented for the Organizations as a whole. The funds and fund groups are described in further detail below.

Operating Funds: Unrestricted and restricted resources available for current operations. This fund group reflects the combined operating activity of the Conference, AMWC, and KAP Operating Funds.

Plant Funds: The Unexpended Plant and Net Invested in Plant Funds. The Unexpended Plant Fund represents resources which were donor restricted or conference committee allocated for plant acquisitions. Since Operating Funds allocated by the conference committee can be returned to the Operating Funds by action of the committee, they are included in the unrestricted section of Net Assets, and appear as Allocated Net Assets. This balance includes the unused portion of funded depreciation, additional funds transferred for plant acquisitions, proceeds from sale of plant assets, and unrestricted plant fund investment earnings. The Net Invested in Plant Fund represents plant assets acquired, respective accumulated depreciation, and any respective debt.

Other Funds: A combination of the Annuity Fund, Agency Fund and Trust Fund. Following are descriptions of them:

Annuity Fund: Annuity Fund represents funds that are subject to the conditions stated in Annuity Agreements. By denominational policy all funds received are to be held until maturity, and no portion of such funds received may be used except to meet the regular annuity payments when they exceed the earnings from investment of Annuity Funds.

Agency Fund: Agency Fund is an accounting entity where funds received by the Organizations as fiscal agents for other organizations are held.

Trust Fund: Trust Fund is an accounting entity where assets are held in a trustee capacity. This fund is limited to certain unconditional, irrevocable trust agreements that name the Organizations as beneficiaries.

(m) Certain amounts in the 2009, 2008, and 2007 columns have been reclassified to conform with the current year's presentation.

Note 2 Cash and Cash Equivalents

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Imprest Cash	\$ 6,440	6,940	6,940	7,415
Checking Accounts	512,596	210,049	605,717	1,174,693
Savings and Money Market Accounts	<u>327</u>	<u>4,647</u>	<u>78,817</u>	<u>151,271</u>
Total	519,363	221,636	691,474	1,333,379
Academy Mutual Water Company	-	-	-	6,164
Conference Education, Inc.	51,910	26,090	21,047	8,708
Korean Adventist Press	<u>18,738</u>	<u>19,895</u>	<u>300</u>	<u>188,444</u>
Total Cash and Cash Equivalents	<u>\$ 590,011</u>	<u>267,621</u>	<u>712,821</u>	<u>1,536,695</u>

Cash, which exceeded the federally insured limits (FDIC) at certain times during the year and at year end, is deposited with high-credit-quality financial institutions.

SOUTHERN CALIFORNIA CONFERENCE OF SEVENTH-DAY ADVENTISTS
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Note 3 Investments

	2010			2009		
	Cost	Fair Value	Unrealized Appr (Decl)	Cost	Fair Value	Unrealized Appr (Decl)
<u>Carrying Amount and Fair Value of</u>						
<u>Investments Held for Operating Purposes</u>						
Savings Accounts	\$ 22,617	22,617	-	22,517	22,517	-
Certificates of Deposit *	3,474,097	3,474,097	-	3,425,416	3,425,416	-
Government Bonds	81,845	89,388	7,543	81,944	85,434	3,490
Mutual Funds	795,911	959,236	163,325	775,316	845,353	70,037
Denominational Unitized Funds	1,814,084	1,745,361	(68,723)	2,668,212	2,293,299	(374,913)
Total for Operating Purposes	<u>6,188,554</u>	<u>6,290,699</u>	<u>102,145</u>	<u>6,973,405</u>	<u>6,672,019</u>	<u>(301,386)</u>
<u>Cash and Investments Held for</u>						
<u>Other Than Operating</u>						
Checking Accounts	\$ 779	779	-	12,181	12,181	-
Certificates of Deposit	945,797	954,528	8,731	500,000	500,000	-
Money Market Accounts	70,662	70,662	-	368,699	368,699	-
Corporate Bonds	199,432	201,988	2,556	644,432	655,381	10,949
Corporate Stock Funds	653,864	737,572	83,708	483,840	559,087	75,247
Denominational Unitized Funds	9,861,800	9,686,073	(175,727)	8,929,912	8,605,469	(324,443)
Total for Other than Operating	<u>11,732,334</u>	<u>11,651,602</u>	<u>(80,732)</u>	<u>10,939,064</u>	<u>10,700,817</u>	<u>(238,247)</u>
	2008			2007		
	Cost	Fair Value	Unrealized Appr (Decl)	Cost	Fair Value	Unrealized Appr (Decl)
<u>Carrying Amount and Fair Value of</u>						
<u>Investments Held for Operating Purposes</u>						
Checking Accounts	\$ 29,471	29,471	-	-	-	-
Money Market Accounts	-	-	-	60,784	63,528	-
Certificates of Deposit *	3,613,895	3,613,895	-	1,095,924	1,095,924	-
Government Bonds	82,033	69,936	(12,097)	83,560	82,176	(1,384)
Mutual Funds	769,185	666,833	(102,352)	945,736	1,123,311	177,575
Denominational Unitized Funds	3,275,586	2,757,036	(518,550)	7,195,414	7,255,196	59,782
Total for Operating Purposes	<u>7,770,170</u>	<u>7,137,171</u>	<u>(632,999)</u>	<u>9,381,418</u>	<u>9,620,135</u>	<u>235,973</u>
<u>Cash and Investments Held for</u>						
<u>Other Than Operating</u>						
Checking Accounts	\$ 486,384	486,384	-	30,400	30,400	-
Savings	-	-	-	406,364	406,364	-
Certificates of Deposit	200,000	204,917	4,917	324,169	324,658	489
Money Market Accounts	511,489	511,489	-	100,000	101,822	1,822
Corporate Bonds	99,432	96,880	(2,552)	139,947	140,194	247
Corporate Stock Funds	1,078,431	834,776	(243,655)	1,638,001	1,642,017	4,016
Denominational Unitized Funds	9,738,162	9,527,665	(210,497)	9,445,690	10,076,973	631,283
Total for Other Than Operating Purposes	<u>\$ 12,113,898</u>	<u>11,662,111</u>	<u>(451,787)</u>	<u>12,084,571</u>	<u>12,722,428</u>	<u>637,857</u>

* The Organization obtained a line of credit from Bank of America which requires that cash be maintained on deposit as a compensating balance. Compensating balances are \$3,000,000, \$3,000,000, \$3,000,000, and \$0 at December 31, 2010, 2009, 2008 and 2007, respectively.

SOUTHERN CALIFORNIA CONFERENCE OF SEVENTH-DAY ADVENTISTS
Notes to Consolidated Financial Statements
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Note 3 Investments, Continued

<u>Composition of Investment Return</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Investment Income	\$ 170,971	274,992	568,805	1,191,476
Realized Gain (Loss) on Sale of Investments	27,140	(376,740)	(337,328)	-
Unrealized Gain (Loss) in Market Value of Investments	560,983	545,153	(928,879)	(4,143)
Net Gain (Loss) on Investments	588,123	168,413	(1,266,207)	(4,143)
Total Investment Return	\$ 759,094	443,405	(697,402)	1,187,333

The market value of securities and investments changes based on economic conditions.

The Organization's investment strategy places all its investments (except loans receivable and debt securities that qualify as "held to maturity") in a class in which accounting standards require the value to be fair value.

Fair values at December 31 are determined by reference to the following "levels" of information:

Level 1: Observable quoted market prices for similar items

Level 2: Observable quoted market prices for similar items, and other observable market data correlated to specific assets

Level 3: Unobservable other information from investment fund managers, which assert that they use market data to determine the unit values which are communicated to investors

	<u>2010</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash - Checking, Savings, CD's, Money Market accounts	\$ 4,522,683	-	-
Government Bonds, Corporate Bonds, Corporate Stock Funds, Mutual Funds, Denominational Unitized Funds	-	13,419,618	-
Total Investments at December 31, 2010	\$ 4,522,683	13,419,618	-
	<u>2009</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash - Checking, Savings, CD's, Money Market accounts	\$ 4,328,813	-	-
Government Bonds, Corporate Bonds, Corporate Stock Funds, Mutual Funds, Denominational Unitized Funds	-	13,044,023	-
Total Investments at December 31, 2009	\$ 4,328,813	13,044,023	-
	<u>2008</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash - Checking, Savings, CD's, Money Market accounts	\$ 4,846,156	-	-
Government Bonds, Corporate Bonds, Corporate Stock Funds, Mutual Funds, Denominational Unitized Funds	-	13,953,126	-
Total Investments at December 31, 2008	\$ 4,846,156	13,953,126	-
	<u>2007</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash - Checking, Savings, CD's, Money Market accounts	\$ 1,959,168	-	-
Government Bonds, Corporate Bonds, Corporate Stock Funds, Mutual Funds, Denominational Unitized Funds	-	20,319,867	-
Total Investments at December 31, 2007	\$ 1,959,168	20,319,867	-

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Note 4 Accounts Receivable	2010	2009	2008	2007
Church Remittances	\$ 3,658,016	3,530,772	3,478,240	4,560,668
Churches	948,129	911,631	722,342	479,219
Schools	670,872	927,523	878,289	1,462,915
Workers' Accounts	14,968	17,342	8,662	22,575
Officers' Accounts	-	92	395	1,409
Other	189,569	112,217	88,760	43,489
Total	5,481,554	5,499,577	5,176,688	6,570,275
Less: Allowances for Doubtful Accounts	(715,009)	(607,129)	(498,774)	(348,774)
Total	4,766,545	4,892,448	4,677,914	6,221,501
Academy Mutual Water Company, Net	-	-	-	10,185
Korean Adventist Press, Net	96,328	95,588	128,726	132,402
Total Accounts Receivable, Net	\$ 4,862,873	4,988,036	4,806,640	6,364,088

Note 5 Notes and Loans Receivable

Operating Fund

Churches and Other Institutions	\$ 116,068	110,213	25,971	18,167
Schools	1,527,129	1,260,411	1,631,823	674,602
* Churches/Schools-Offset by Payables	4,124,910	4,243,176	3,618,975	4,584,925
Employees	75,003	88,683	105,085	105,760
Less: Allowance for Doubtful Accounts	(3,150)	(3,150)	(3,150)	(3,150)
Total Notes and Loans Receivable	5,839,960	5,699,333	5,378,704	5,380,304
Notes and Loans Receivable, Current	641,778	954,873	1,910,256	852,324
Notes and Loans Receivable, Long-Term	\$ 5,198,182	4,744,460	3,468,448	4,527,980

* These notes are secured by the church/school properties for which loans were taken out on their behalf.

Note 6 Inventory and Prepaid Expense

Books	\$ 130,778	136,319	144,929	132,402
Food	10,687	11,295	20,148	21,017
Other	45,260	64,477	41,769	42,840
Office and Departmental Supplies	61,241	73,627	61,415	57,914
Prepaid Expense	45,535	285,731	74,346	108,737
Total Inventory and Prepaid Expense	\$ 293,501	571,449	342,607	362,910

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Note 7 Plant Assets

		<u>Cost</u>	<u>Accum. Deprec.</u>	<u>Net Value</u>	<u>Depreciation Expense Operating</u>	<u>Other</u>
Conference:	Land	\$ 2,004,789	-	2,004,789	-	-
	Land Improvements	636,946	594,850	42,096	7,265	-
	Buildings	10,664,787	6,429,088	4,235,699	297,265	-
	Equipment	1,067,091	854,878	212,213	111,617	-
Churches/Schools:	Land	17,787,244	-	17,787,244	-	-
	Land Improvements	871,682	866,548	5,134	-	1,851
	Buildings	62,564,514	33,615,180	28,949,334	-	1,346,428
	Construction in Progress	-	-	-	-	-
Total Conference		<u>95,597,053</u>	<u>42,360,544</u>	<u>53,236,509</u>	<u>416,147</u>	<u>1,348,279</u>
Korean Adv. Press:	Land	390,000	-	390,000	-	-
	Buildings	210,000	120,088	89,912	8,174	-
	Building Improvements	163,611	163,611	-	-	-
	Equipment	104,515	97,683	6,832	3,237	-
Total Koren Adv. Press		<u>868,126</u>	<u>381,382</u>	<u>486,744</u>	<u>11,411</u>	<u>-</u>
Total Plant Assets, 12-31-2010		<u>\$ 96,465,179</u>	<u>42,741,926</u>	<u>53,723,253</u>	<u>427,558</u>	<u>1,348,279</u>
Conference:	Land	\$ 2,004,789	-	2,004,789	-	-
	Land Improvements	675,500	617,359	58,141	12,238	-
	Buildings	10,639,787	6,131,823	4,507,964	305,561	-
	Equipment	1,024,331	743,261	281,070	99,588	-
Churches/Schools:	Land	17,787,244	-	17,787,244	-	-
	Land Improvements	871,682	864,697	6,985	-	17,707
	Buildings	63,260,494	32,879,507	30,380,987	-	1,413,347
Total Conference		<u>96,263,827</u>	<u>41,236,647</u>	<u>55,027,180</u>	<u>417,387</u>	<u>1,431,054</u>
Korean Adv. Press:	Land	390,000	-	390,000	-	-
	Buildings	210,000	111,914	98,086	8,174	-
	Buildings Improvements	163,610	163,610	-	-	-
	Equipment	99,021	94,445	4,576	1,407	-
Total Koren Adv. Press		<u>862,631</u>	<u>369,969</u>	<u>492,662</u>	<u>9,581</u>	<u>-</u>
Total Plant Assets, 12-31-2009		<u>\$ 97,126,458</u>	<u>41,606,616</u>	<u>55,519,842</u>	<u>426,968</u>	<u>1,431,054</u>

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Note 7 Plant Assets (Continued)

		<u>Cost</u>	<u>Accum. Deprec.</u>	<u>Net Value</u>	<u>Depreciation Expense Operating</u>	<u>Other</u>
Conference:	Land	\$ 2,004,789	-	2,004,789	-	-
	Land Improvements	675,500	605,121	70,379	12,632	-
	Buildings	10,634,730	5,826,262	4,808,468	289,886	-
	Equipment	666,705	397,994	268,711	72,495	-
Churches/Schools:	Land	17,194,068	-	17,194,068	-	-
	Land Improvements	871,682	846,990	24,692	-	20,915
	Buildings	56,416,983	30,176,713	26,240,270	-	1,027,937
	Total Conference	88,464,457	37,853,080	50,611,377	375,013	1,048,852
Korean Adv. Press:	Land	390,000	-	390,000	-	-
	Buildings	210,000	103,740	106,260	8,174	-
	Building Improvements	163,610	163,610	-	-	-
	Equipment	94,614	93,039	1,575	894	-
	Total Koren Adv. Press	858,224	360,389	497,835	9,068	-
Total Plant Assets, 12-31-2008		<u>\$ 89,322,681</u>	<u>38,213,469</u>	<u>51,109,212</u>	<u>384,081</u>	<u>1,048,852</u>
Conference:	Land	\$ 2,004,789	-	2,004,789	-	-
	Land Improvements	675,500	592,489	83,011	12,632	-
	Buildings	10,609,360	5,536,376	5,072,984	283,435	-
	Equipment	1,593,301	1,290,167	303,134	69,604	-
Churches/Schools:	Land	14,559,467	-	14,559,467	-	-
	Land Improvements	871,682	826,075	45,607	-	23,525
	Buildings	43,784,398	29,232,776	14,551,622	-	1,070,248
	Construction in Progress	6,141,351	-	6,141,351	-	-
	Total Conference	80,239,848	37,477,883	42,761,965	365,671	1,093,773
Korean Adv. Press:	Land	390,000	-	390,000	-	-
	Buildings	210,000	95,566	114,434	8,174	-
	Buildings Improvements	163,610	163,610	-	-	-
	Equipment	94,614	92,145	2,469	2,550	-
	Total Koren Adv. Press	858,224	351,321	506,903	10,724	-
Total Plant Assets, 12-31-2007		<u>\$ 81,098,072</u>	<u>37,829,204</u>	<u>43,268,868</u>	<u>376,395</u>	<u>1,093,773</u>

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Note 8 Deferred Charges

	2010	2009	2008	2007
Newbury Park and Ventura Estates Land Development*	\$ 5,412,178	5,053,969	5,015,012	4,983,399

* Expenditures associated with the development of the property for future sale to a commercial developer.

Note 9 Investments in Partnerships and LLCs

Consolidated:

Academy Mutual Water Company (AMWC) is a for-profit California Corporation which is wholly owned by the Southern California Conference of Seventh-day Adventists. The purpose of AMWC is to distribute water to limited areas in Newbury Park, California. The entity is governed by a separate board of directors whose members include officers of the Conference. AMWC ceased operations on January 1, 2008.

Conference Education, Inc. (CEDU) is a for-profit California Corporation which is a wholly owned subsidiary of Southern California Conference of Seventh-day Adventists. CEDU was formed to operate as a holding company for real estate which is to be developed in Newbury Park, California. The entity is governed by a separate board of directors whose members include officers of the Conference.

Korean Adventist Press (KAP) is operated by the Conference, and whose members include other officers of the Conference. Its purpose is to provide and disseminate Korean language Christian literature. Most of KAP's dealings are with the Korean language congregations of NAD and with the Conference itself.

Equity Method:

Investments in common stock and membership certificates representing 20% to 50% ownership, in Limited Liabilities Partnerships are reflected at cost plus equity in the undistributed net earnings (losses) since acquisition, under the equity method. Minority interests in common stock of non-publicly traded companies and partnerships are reflected at cost plus accumulated earnings and losses.

Conference Retirement, Inc. (CRET) was formed by Southern California Conference of Seventh-day Adventists and Colson & Colson Construction Company for the purpose of constructing and operating a retirement home facility. Southern California Conference of Seventh-day Adventists has a 40% general partnership interest in Glendale Retirement Residence, LP.

Investments consist of the following at December 31, 2010, 2009, 2008, and 2007:

	2010	2009	2008	2007
Conference Retirement, Inc.	\$ 1,500,000	1,500,000	1,500,000	1,500,000
Investment Offset	(1,500,000)	(990,999)	(391,110)	-
Total Investments	<u>-</u>	<u>509,001</u>	<u>1,108,890</u>	<u>1,500,000</u>

Note 10 Investments in Real Estate

Association Operating	\$ 193,621	162,963	129,630	151,240
Conference Education	3,095,123	2,965,183	2,748,279	2,163,705
Total Investments in Real Estate	<u>\$ 3,288,744</u>	<u>3,128,146</u>	<u>2,877,909</u>	<u>2,314,945</u>

Note 11 Assets Held in Trust

Academy Land	\$ 918,372	918,372	918,372	918,372
Academy Land Improvements	2,077,642	2,075,242	1,988,773	1,932,598
Academy Buildings	16,663,167	16,620,491	16,544,711	16,425,919
Less: Accumulated Depreciation	<u>(9,156,614)</u>	<u>(8,903,687)</u>	<u>(8,393,632)</u>	<u>(6,748,265)</u>
Net Value of Academy Property Held in Trust	10,502,567	10,710,418	11,058,224	12,528,624
Unconditional Irrevocable Trust Assets	<u>12,736,721</u>	<u>13,431,427</u>	<u>17,191,751</u>	<u>6,844,598</u>
Total Assets Held in Trust	<u>\$ 23,239,288</u>	<u>24,141,845</u>	<u>28,249,975</u>	<u>19,373,222</u>

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Note 12 Accounts Payable

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Pacific Union Conference of Seventh-day Adventists	\$ 1,809,324	2,122,421	1,664,229	1,922,139
Payroll Withholdings	335,034	301,286	247,420	273,013
Accrued Wages and Vacation	893,543	872,338	909,807	835,407
Accrued Retirement Allowance	599,136	465,941	429,268	245,183
Other Payroll	-	-	-	146,373
Schools	19,465	135,920	-	-
Commercial Payables	77,941	120,447	76,080	124,335
Property Taxes	341,519	302,680	337,974	-
Other	70,468	81,906	387,833	516,065
Sub-Total	<u>4,146,430</u>	<u>4,402,939</u>	<u>4,052,611</u>	<u>4,062,515</u>
Academy Mutual Water Company	-	-	-	93,322
Conference Education, Inc.	6,107	33,600	6,926	61,511
Korean Adventist Press	<u>81,168</u>	<u>26,081</u>	<u>51,629</u>	<u>171,662</u>
Total Accounts Payable	<u>\$ 4,233,705</u>	<u>4,462,620</u>	<u>4,111,166</u>	<u>4,389,010</u>

Note 13 Notes and Mortgages Payable

Operating

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Bank of America - Line of Credit (See Note 14); \$3,500,000 at prime plus .25 interest; due October 1, 2010; monthly payments of interest only; unsecured.*	\$ 374,039	459,784	430,926	637,710
Broadway Federal; \$585,000 at 8.0% interest; due April 14, 2010; monthly payments of \$4,292; secured by Deed of Trust. *	-	7,522	8,462	443,087
California Adventist Credit Union; \$285,000 at 7.5% interest; due August 21, 2026; monthly payment of \$2,297; secured by Deed of Trust.*	253,172	260,894	268,474	275,452
California Adventist Credit Union; \$288,000 at 6% interest; due August 28, 2015; monthly payment of \$1,727; secured by Deed of Trust.*	202,990	270,189	273,462	279,335
California Adventist Credit Union; \$215,000 at 6.5% interest; due December 15, 2021; monthly payment of \$2,154; secured by Deed of Trust.*	202,460	215,000	-	-
California Adventist Credit Union; \$200,000 at 7% interest; due December 15, 2021; monthly payment of \$2,057; secured by Deed of Trust.*	188,182	200,000	-	-
California Adventist Credit Union; \$280,000 at 9% interest; due December 23, 2014; monthly payment of \$3,186; secured by Deed of Trust.*	264,742	280,000	-	-
Citimortgage; \$181,000 at 5.75%* interest; due August 14, 2014; monthly payments of \$1,112 secured by Deed of Trust.*	43,597	57,024	67,082	76,389
Hanmi Bank; \$250,000 at 6.5% interest; due April 30, 2008; monthly payments of \$1,884; secured by Deed of Trust.*	-	-	-	212,773
Hanmi Bank; \$1,900,000 at prime + 1.25% interest; due November 2, 2016; monthly payments of \$4,793; secured by Deed of Trust*	1,234,298	1,339,911	1,372,376	1,429,101
Hanmi Bank; \$185,000 at 5.75% interest; due June 1, 2010; monthly payments of \$1,588; secured by Deed of Trust.*	-	138,203	149,108	171,131
Hanmi Bank; \$313,229 at 8.25% interest; due January 28, 2013; monthly payments of \$2,897; secured by Deed of Trust.*	268,287	294,668	305,447	313,230



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Note 13 Notes and Mortgages Payable, Continued

Operating, Continued	2010	2009	2008	2007
La Loma Federal Credit Union; \$320,000 at 6.75% interest; due May 31, 2025; monthly payments of \$2,096.64; secured by Deed of Trust.*	318,378	-	-	-
Norwalk United Methodist; \$783,765 at 6.5% interest; due February 28, 2011; monthly payments of \$5,910 with; balloon payment due on February 28, 2011 of \$680,650; secured by Deed of Trust.*	679,766	716,453	744,314	746,717
Pomona Valley Spanish; \$381,933 at 2.5%; monthly interest of principal only; unsecured callable loan.	396,511	381,933	-	-
	<u>4,426,422</u>	<u>4,621,581</u>	<u>3,619,651</u>	<u>4,584,925</u>
Newbury Park Development Fund				
Bank of America - Line of Credit (See Note 14); \$3,500,000 at prime + .25 interest; due October 1, 2011; monthly payments of interest only; unsecured.	2,700,176	2,700,176	2,705,000	1,355,000
General Conference - Line of Credit (See Note 14); \$10,000,000 maximum borrowings; due June 30, 2012; interest payable quarterly at one-half percent above the prime or reference rate; secured by Deed of Trust.	8,670,000	8,670,000	8,670,000	8,670,000
Pacific Union Conference Line of Credit (See Note 14); \$1,000,000 maximum borrowings; due June 30, 2011; at a variable interest payable monthly; unsecured.	1,000,000	1,000,000	1,000,000	-
Pacific Union Conference Line of Credit (See Note 14); \$4,800,000 maximum borrowings; at 6% interest; due June 30, 2011; secured by Deed of Trust.	4,800,000	4,800,000	4,800,000	2,800,000
Total Newbury Park Development Fund	<u>17,170,176</u>	<u>17,170,176</u>	<u>17,175,000</u>	<u>12,825,000</u>
Total Operating Funds	<u>21,596,598</u>	<u>21,791,757</u>	<u>20,794,651</u>	<u>17,409,925</u>
Plant Fund				
Bank of America - Line of Credit (See Note 15); \$3,500,000 at prime + .25 interest; due October 1, 2010; monthly payments of interest only; unsecured.	192,501	192,501	210,000	210,000
Mary Richards; \$150,000 at 7.0% fixed interest; due July 20, 2015; monthly payments of \$1,348; secured by Deed of Trust.	62,297	74,592	85,146	94,987
Pacific Union Conference; \$500,000 at a variable interest rate; due August 11, 2022; monthly payments of \$3,025; secured by Deed of Trust.	287,104	307,017	323,967	339,630
Pacific Union Conference; \$21,681 at a variable interest rate; due April 11, 2022; monthly payments of \$190; secured by Deed of Trust.	14,088	17,074	18,261	19,398
Pacific Union Conference; \$437,000 at a variable interest rate; due January 4, 2022; monthly payments of \$3,750; secured by Deed of Trust.	354,180	377,779	399,085	418,609

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Note 13 Notes and Mortgages Payable, Continued

Plant Fund, Continued	2010	2009	2008	2007
Pacific Union Conference; \$574,157 at a variable interest rate; due April 11, 2022; monthly payments of \$4,925; secured by Deed of Trust.	464,369	498,615	526,275	551,903
Total Plant Fund	1,374,539	1,467,578	1,562,734	1,634,527
Total Notes Payable	22,971,137	23,259,335	22,357,385	19,044,452
	Association Fund Operating	Newbury Park Dev. Fund	Plant Funds	Total
Five year payout as follows:				
2011	\$ 1,559,128	8,500,176	277,567	10,336,871
2012	118,906	8,670,000	90,634	8,879,540
2013	349,028	-	96,568	445,596
2014	111,100	-	102,891	213,991
2015	109,148	-	101,826	210,974
Thereafter	2,179,112	-	705,053	2,884,165
Total	\$ 4,426,422	17,170,176	1,374,539	22,971,137

* Most of these notes were incurred on behalf of churches/schools in the Organizations' territory which amounts to \$4,124,910, \$4,243,176, \$3,618,975, and \$4,584,925 at December 31, 2010, 2009, 2008 and 2007, respectively. These are offset by notes receivable see Note 5.

Note 14 Lines of Credit

The Organizations maintained a line of credit with Bank of America with covenants that include the following: presentation of quarterly and annual financial statements; maintenance of specific debt to equity ratios (Operating Fund); maintenance of net asset minimums; and the Organizations must obtain Bank of America's written consent before entering into any contingent debt covenants. This line of credit with Bank of America was established to assist member churches and schools for their capital and operating needs. Maximum borrowing is \$3,500,000. Interest only payments are made monthly at an interest rate of prime plus 0.25%. The balance of the line of credit \$3,266,718, \$3,352,780, \$3,345,926, and \$2,198,917 at December 31, 2010, 2009, 2008, and 2007, respectively.

The Organizations entered into an agreement for a \$10,000,000 line of credit with the General Conference of Seventh-day Adventists. The line of credit is secured by a deed of trust, and is due June 30, 2009. Interest is payable quarterly at one-half percent above the prime rate. The balance of the line of credit is \$8,670,000 at December 31, 2010, 2009, 2008, and 2007.

The Organizations maintained a line of credit with the Pacific Union Conference of Seventh-day Adventists. Maximum borrowing is \$4,800,000, unsecured and is due June 30, 2010. The balance on the line of credit is \$4,800,000, \$4,800,000, \$4,800,000 and \$2,800,000 at December 31, 2010, 2009, 2008 and 2007, respectively, with interest at 6%. Maximum borrowing on the second line of credit is \$1,000,000, unsecured and is due June 30, 2011. The balance on the line of credit is \$1,000,000, \$1,000,000, \$1,000,000, and \$0, at December 31, 2010, 2009, 2008, and 2007, respectively, with interest at .25% less than prime rate.

Note 15 Trust Funds

	2010	2009	2008	2007
Operating				
Miscellaneous Mission Project and Other Trust Funds	\$ 206,856	275,766	324,333	320,869
Other Than Operating				
Korean Adventist Press	\$ 486,645	521,712	455,034	530,034

Note 16 Liability to Depositors

Churches	\$ 7,755,514	7,757,859	9,471,816	5,781,599
Schools	655,258	662,028	469,534	483,870
Other	724,583	337,565	(235,065)	565,721
Total Liability to Depositors	\$ 9,135,355	8,757,452	9,706,285	6,831,190

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Note 17 Liabilities Held in Trust

	2010	2009	2008	2007
Academy Properties Held in Trust	\$ 10,502,567	10,710,418	11,058,224	12,528,624
Liability to Remainder Person	8,232,460	8,677,486	14,865,566	4,983,062
Total Liabilities Held in Trust	<u>\$ 18,735,027</u>	<u>19,387,904</u>	<u>25,923,790</u>	<u>17,511,686</u>

Note 18 Temporarily Restricted Net Assets

	Balance 1/1/2010	Restricted Income	Restrictions Released	Balance 12/31/2010
<u>Temporarily restricted net assets are available for the following purposes or periods:</u>				
Appropriations	\$ -	1,772,501	1,772,501	-
Association Agency Fund	158,449	-	-	158,449
Cedar Falls	-	8,786	8,786	-
Cedar Falls-Development	151,076	16,131	-	167,207
Church Building Capital	-	15,469	15,469	-
Church Building Capital-Rev.	166,544	161,996	88,896	239,644
Community Service/Inner City	-	1,000	1,000	-
Disaster Relief	19,004	10,012	1,000	28,016
Education Operating	-	21,246	21,246	-
Emergency Fund	21,721	-	-	21,721
Field and General Workers	-	3,414	3,414	-
Field Seminary	-	16,258	16,258	-
General Evangelism	-	72,306	72,306	-
Ingathering	96,702	10,235	7,043	99,894
Miscellaneous	288,855	97	97	288,855
Prayer Ministry	-	17,000	11,040	5,960
Publishing - GLOW	-	22,797	19,017	3,780
Region Field - Asian/Pacific	-	69,000	69,000	-
Region Field - Asian/Pacific	-	13,170	13,170	-
Region Field - Hispanic	-	62,184	62,184	-
Region Field - LA Metro	-	34,575	34,575	-
Region Field - West	-	8,780	8,780	-
Regional Affairs - Asian Pacific	-	6,030	6,030	-
Regional Affairs - Greater LA	-	14,863	14,863	-
Regional Affairs - Hispanics	-	3,287	3,287	-
Regional Affairs - LA Metro	-	859	859	-
Regional Affairs - West	-	2,530	2,530	-
Religious Liberty	1,249	-	-	1,249
Resource Center	-	13,770	13,770	-
Scholarship - Greater LA	-	44,857	44,857	-
Scholarship - Asian Pacific	41,695	30,913	34,500	38,108
Scholarship - Hispanic	35,329	50,062	40,829	44,562
Scholarship - LA Metro	345,153	-	-	345,153
Scholarship - West Region	1,200	-	-	1,200
Women's Ministry - Hispanic	-	1,388	1,388	-
Women's Ministry - English	2,883	1,388	1,388	2,883
Worthy Student	2,494	8,636	7,046	4,084
Sub-Total Conference Operating Functions	<u>1,332,354</u>	<u>2,515,540</u>	<u>2,397,129</u>	<u>1,450,765</u>

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Note 18 Temporarily Restricted Net Assets (Continued)

	Balance 1/1/2010	Restricted Income	Restrictions Released	Balance 12/31/2010
Korean Adventist Press	8,405	-	-	8,405
Total Conference Operating Temporarily Restricted	<u>1,340,759</u>	<u>2,515,540</u>	<u>2,397,129</u>	<u>1,459,170</u>
Other Funds				
Unconditional Irrevocable Trusts	4,753,940	(249,679)	-	4,504,261
Total Temporarily Restricted Net Assets, 12/31/2010	<u>\$ 6,094,699</u>	<u>2,265,861</u>	<u>2,397,129</u>	<u>5,963,431</u>
Total Temporarily Restricted Net Assets, 12/31/2009	<u>\$ 3,766,184</u>	<u>5,727,300</u>	<u>3,398,783</u>	<u>6,094,699</u>
Total Temporarily Restricted Net Assets, 12/31/2008	<u>\$ 3,192,019</u>	<u>3,223,470</u>	<u>2,649,305</u>	<u>3,766,184</u>
Total Temporarily Restricted Net Assets, 12/31/2007	<u>\$ 3,184,960</u>	<u>2,793,678</u>	<u>2,786,619</u>	<u>3,192,019</u>

Note 19 Nonoperating Activity

	2010	2009	2008	2007
Investment Income	\$ -	4	132,920	322,853
Church & School Properties Added	-	6,266,827	7,971,137	2,493,102
Insurance Proceeds	843,285	-	-	-
Other Income	220,831	113,851	1,380,447	147,791
Nonoperating Revenue	<u>\$ 1,064,116</u>	<u>6,380,682</u>	<u>9,484,504</u>	<u>2,963,746</u>
Interest Paid on External Borrowings	\$ (75,364)	(85,897)	(100,276)	(114,047)
Depreciation on Church & School Properties	(1,348,279)	(1,431,054)	(1,048,851)	(1,093,773)
Appropriations	-	-	(10,696,537)	(2,328,002)
Share of Loss on Glendale Retirement Residence, LLP	(509,001)	(599,890)	(391,109)	-
Other Expense	(985,475)	(1,024,375)	(195,566)	(5,227,877)
Nonoperating Expense	<u>\$ (2,918,119)</u>	<u>(3,141,216)</u>	<u>(12,432,339)</u>	<u>(8,763,699)</u>
Realized Gain (Loss) on Sale of Investment	\$ -	-	(62,679)	(21,569)
Unrealized Gain (Loss) in Value of Investment	-	-	(246,042)	(96,008)
Net Gain (Loss) on Investments	<u>-</u>	<u>-</u>	<u>(308,721)</u>	<u>(117,577)</u>
Total Non-Operating Expense	<u>\$ (2,918,119)</u>	<u>(3,141,216)</u>	<u>(12,741,060)</u>	<u>(8,881,276)</u>
Proceeds from Sale of Plant Assets	\$ -	-	1,559,000	2,430,000
Net Value of Plant Assets Sold	(101,866)	-	(52,663)	(709,563)
Net Gain (Loss) on Sale of Assets	<u>\$ (101,866)</u>	<u>-</u>	<u>1,506,337</u>	<u>1,720,437</u>
Unexpended Plant Resources Spent	(75,621)	(67,095)	(13,461,383)	(412,485)
Purchases Added to Net Invested in Plant	75,621	67,095	13,461,383	412,485
Net Transfers Between Funds	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Note 20 Change in Annuities

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Changes in Gift Portion - Annuity Fund</u>				
Interest Income on Annuity Assets	33,087	37,861	76,180	104,619
Investment Expense	(36,121)	(10,567)	(17,829)	(67,497)
Actuarial Adjustment from (to) Present Value	82,788	47,843	49,762	(7,526)
Required Payments to Annuitants and Expenses	<u>(176,612)</u>	<u>(176,214)</u>	<u>(183,452)</u>	<u>(163,760)</u>
Net Adjustment to Value of Annuities	(96,858)	(101,077)	(75,339)	(134,164)
 Gift Portion of New Annuities Added	 130,924	 -	 -	 78,796
Realized Gain (Loss) on Sale of Investments	8,738	84,381	(62,679)	(21,569)
Unrealized Gain (Loss) in Value of Investments	22,711	-	(246,042)	(96,008)
Distributions from Matured Annuities	<u>(157,391)</u>	<u>-</u>	<u>-</u>	<u>(54,030)</u>
Increase (Decrease) for the Year	(91,876)	(16,696)	(384,060)	(226,975)
 Net Assets, Beginning	 <u>547,741</u>	 <u>564,437</u>	 <u>948,497</u>	 <u>1,175,472</u>
Net Assets, Ending	<u>455,865</u>	<u>547,741</u>	<u>564,437</u>	<u>948,497</u>
 <u>Changes in Liabilities to Annuitants</u>				
Present Value of Liability, Beginning	1,017,468	1,064,515	1,113,646	1,167,406
Actuarial Adjustments (including Maturities)	(32,103)	(47,047)	(49,131)	(139,965)
Liability of New Annuities Added	-	-	-	86,205
Present Value of Liability, Ending	<u>985,365</u>	<u>1,017,468</u>	<u>1,064,515</u>	<u>1,113,646</u>

Note 21 Contingencies and Commitments

Pledging of Assets and Loan Guarantees

The Organization has pledged their assets as collateral for loans made by the PUC Church and School Loan Fund and the Pacific Union Conference Income Fund to various churches, schools, and organizations in its territory. The balances on these loans were \$12,357,207 and \$12,677,946, \$9,967,331, and \$7,941,082 at December 31, 2010, 2009, 2008, and 2007, respectively. Additionally, the Organizations have guaranteed certain unsecured loans of churches and schools to PUC Church and School Loan Fund. Principal and interest payments on these loans are scheduled to be made by the churches and schools.

Workers Compensation Self-Insurance Pool The Organizations, along with the other California conferences entered into an indemnification agreement with Pacific Union Conference to participate in a Workers Compensation Self-insurance Pool arrangement pursuant to the provisions of Section 3701 of the California Labor Code. The Pacific Union Conference has provided an irrevocable letter of credit to the State Treasurer and the Department of Industrial Relations as a security deposit to secure the incurred liabilities of the participants. Should the State draw on the letter of credit, the Organizations will indemnify the Pacific Union Conference for its share on the security deposit, based on actual claims and estimated future liability.

Note 22 Related Party Transactions

Significant transactions occur between the Organizations and various other Seventh-day Adventist organizations. The following is a summary of those transactions:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Appropriations Received From:</u>				
North American Division of the General Conference of SDA	\$ 1,548,243	1,906,512	1,596,792	1,768,818
Pacific Union Conference of Seventh-day Adventists	<u>1,114,069</u>	<u>1,168,649</u>	<u>738,561</u>	<u>703,186</u>
Total	<u>\$ 2,662,312</u>	<u>3,075,161</u>	<u>2,335,353</u>	<u>2,472,004</u>
 <u>Appropriations Made To:</u>				
North American Division of the General Conference of SDA	\$ 8,470,699	8,880,203	8,758,383	10,313,224
Pacific Union Conference of Seventh-day Adventists	<u>2,898,301</u>	<u>3,061,299</u>	<u>3,019,487</u>	<u>3,534,788</u>
Total	<u>\$ 11,369,000</u>	<u>11,941,502</u>	<u>11,777,870</u>	<u>13,848,012</u>

See Note 1 for a description of these organizations.

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Note 23 Pension and Other Post-Retirement Benefits

Defined Benefit Plans - Frozen NAD Plans

The Organizations participate in a non-contributory, defined benefit pension plan known as the "Seventh-day Adventist Retirement Plan of the North American Division." This plan, which covers substantially all employees of the Organizations, is administered by the General Conference of Seventh-day Adventists in Silver Spring, Maryland, and is exempt from Employee Retirement Income Security Act of 1974 as a multiple-employer plan of a church-related agency.

The Organizations also participate in a non-contributory, defined benefit health care plan known as the "Health Care Assistance Plan for Participants in the Seventh-day Adventists Retirement Plan of the North American Division." This plan, which covers substantially all employees of the Organizations, is administered by the General Conference of Seventh-day Adventists in Silver Spring, Maryland, and is exempt from the Employee Retirement Income Security Act of 1974 as a multiple-employer plan of a church-related agency.

The required contributions from the Organizations to these plans (for retiree pension and retiree health care benefits) for the years ended December 31, 2010, 2009, 2008, and 2007, respectively are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Southern California Conference	\$ 3,403,297	3,548,195	3,433,516	4,052,881
Korean Adventist Press	<u>37,961</u>	<u>39,933</u>	<u>46,258</u>	<u>41,766</u>
Total	<u>\$ 3,441,258</u>	<u>3,588,128</u>	<u>3,479,774</u>	<u>4,094,647</u>

These plans are defined by the Financial Accounting Standards Board as multi-employer plans. As such, it is not required, nor is it possible, to determine the actuarial present value of accumulated benefits or plan net assets for employees of the Organizations apart from other plan participants.

However, based on the latest actuarial evaluation of the Seventh-day Adventist Retirement Plan of the North American Division, as of December 31, 1998, the actuarially computed value of accumulated plan benefits exceeded the estimated market value of plant assets for that plan. No actuarial evaluation has been obtained for the Health Care Assistance Plan for Participants in the Seventh-day Adventist Retirement Plan of the North American Division.

The North American Division Committee voted to freeze accrual of service credit in these plans effective December 31, 1999, except for employees who choose the career completion option, and to start a new defined contribution plan effective January 1, 2000. The Organizations are scheduled to continue making contributions (at a reduced rate) to the frozen plans after December 31, 1999. Certain employees will continue to be eligible for future benefits under these plans.

Defined Contribution Plan

Effective January 1, 2000, the Organizations participate in a defined contribution retirement plan known as "The Adventist Retirement Plan." This plan, which covers substantially all employees of the Organizations, is administered by the General Conference of Seventh-day Adventists (GC) in Silver Spring, Maryland, and is exempt from the Employee Retirement Income Security Act of 1974 as a multiple-employer plan of a church related agency.

The Organizations contributed to the plan based on a stated percentage of each employee's earnings and a stated matching percentage of certain employee voluntary contributions. Investment management of the accumulated contributions designated for each employee is provided under an agreement between the GC and Valic. The contributions to this plan are as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Southern California Conference	\$ 932,402	936,215	943,077	863,365
Korean Adventist Press	<u>20,825</u>	<u>20,153</u>	<u>19,687</u>	<u>19,509</u>
Total	<u>\$ 953,227</u>	<u>956,368</u>	<u>962,764</u>	<u>882,874</u>

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Note 24 Significant Contracts

Western Adventist Foundation

On December 21, 1998, Southern California Association of Seventh-day Adventists entered into a contract for services with Western Adventist Foundation (WAF). WAF is a California religious corporation formed by Pacific Union Conference of Seventh-day Adventists (PUC), a related organization (See Note 1 for a description of PUC). Under the terms of the contract, WAF acts as the Organization's agent in performing trust development and management. Discretionary power that must be exercised by the Organization as trustee or obligor has not been delegated to WAF. This agreement may be terminated by either party at any time by giving one hundred eighty calendar days written notice to the other party.

H. C. Resources, Incorporated

On December 26, 1996, Southern California Association of Seventh-day Adventists signed a contract with H. C. Resources, Incorporated, to provide development services in connection with the design, development and construction of grading, on- and off-site work and other improvements for Phase I of the proposed Village at Newbury Park.

Ridgewood Associates, Inc.

On July 24, 2002, Southern California Conference of Seventh-day Adventists and Southern California Association of Seventh-day Adventists signed a contract for services with Ridgewood Associates, Inc., to oversee, coordinate and manage the planning, development, construction and sale of the various project components on Owner's behalf. This agreement is in force for 3 years, after which it is renewable every 180 days unless either party submits a 60 day written notice of termination. On March 25, 2003, the Board of Directors of the Southern California Association of Seventh-day Adventists voted to amend the agreement. This amendment provided additional options to close Ventura Estates, to transfer the Elementary School to the Newbury Park Adventist Academy site, to renovate the new school ground, to re-zone Ventura Estates and Conejo Adventist Elementary lands, to stop plans of developing North Campus and to sell the new re-zoned areas and North Campus.

Note 25 Split-Interest Agreements

As of December 31, 2010, 2009, 2008, and 2007, respectively, the Organizations served as trustee of 36, 35, 39 and 22 charitable remainder trusts and 6, 6, 5 and 6 other unconditional irrevocable trusts. In accordance with accounting principles generally accepted by the denomination, the assets, liabilities, and net assets related to these trusts have been included in these financial statements.

As of December 31, 2010, 2009, 2008, and 2007, respectively, the Organizations served as trustee of 57, 64, 64, and 67 revocable trusts. Since the trustors of these agreements have reserved the right to direct and control investment of the related assets, no assets or liabilities related to these trusts are included in these financial statements.

The Organizations are generally a remainder beneficiary of at least a portion of these various assets. Also, the Organizations may be a beneficiary of wills or trusts administered by other trustees, of which the Organization may not be aware. The General Conference Auditing Service has performed a review of the Organization's fiduciary administration of the agreements for which the Organizations are trustee, and has issued a separate report thereon dated May 14, 2009.

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Note 26 Reorganization

During 2007, the Organizations' constituents authorized a reorganization merging the operations of Southern California Conference of Seventh-day Adventists (an unincorporated association) and Southern California Association of Seventh-day Adventists (a California religious corporation), into a single corporate entity known as Southern California Conference of Seventh-day Adventists (a California religious corporation). The corresponding changes to the Organization's articles of incorporation were approved by the State of California during 2008. Consequently, the accompanying financial statements reflect essentially the same account groups and types of activity as in prior years, but are presented as a single entity rather than as combined conference and association entities as in the past.

Note 27 Financial Condition

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted by the Seventh-day Adventist denomination, which contemplates continuation of the Organization as a going concern. In previous years, the Organization has suffered losses and corresponding decreases in Net Assets. The net increase (decrease) was (\$1,168,171), \$6,613,463, (\$3,180,665), and \$165,874 for the years ended December 31, 2010, 2009, 2008, and 2007, respectively. Current assets were more (less) than current liabilities by (\$1,821,003), (\$899,820), \$92,183, and \$8,859,735 for the years ended December 2010, 2009, 2008, and 2007, respectively.

The Southern California Conference administration has been taking several actions in order to rectify the financial status of Southern California Conference such as: reducing the salaries of pastors and office staff by 5% effective March 1, 2009; and teachers 5% salary reduction effective July 1, 2009. With this 5% payroll reduction the Organization has reduced expenses by approximately \$1,000,000 and the Organization has implemented a reduction in force which will result in another reduction of \$1,000,000. Another reduction plan that has been implemented in various areas will reduce expenses by approximately \$650,000.

Note 28 Prior Period Adjustment

The accompanying financial statements for 2007 have been restated to correct errors in which the Organizations (1) incorrectly recorded donation revenue instead of deferred income during 2007; (2) failed to record church properties donated during 2007 and prior years; and (3) incorrectly recorded an investment of real estate in a limited partnership at cost rather than fair value in 2006. The cumulative effect of the prior period adjustment at January 1, 2007, was to increase total assets and total net assets by \$1,778,200.

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Note 29 Working Capital and Liquidity - Operating Funds

	<u>Total 2010 ***</u>	<u>Total 2009 ***</u>	<u>Total 2008 ***</u>	<u>Total 2007 ***</u>
Working Capital				
Total Current Assets	\$ 10,971,942	11,932,334	13,491,797	20,221,909
Total Current Liabilities	<u>(5,912,413)</u>	<u>(5,793,961)</u>	<u>(6,253,757)</u>	<u>(8,463,623)</u>
Working Capital	5,059,529	6,138,373	7,238,040	11,758,286
** Recommended Working Capital	<u>(12,232,394)</u>	<u>(13,133,456)</u>	<u>(11,216,834)</u>	<u>(15,727,755)</u>
Working Capital, Excess (Deficit)	\$ <u>(7,172,865)</u>	<u>(6,995,083)</u>	<u>(3,978,794)</u>	<u>(3,969,469)</u>
% of Recommendation	<u>41%</u>	<u>47%</u>	<u>65%</u>	<u>75%</u>
Current Ratio	<u>1.86:1</u>	<u>2.06:1</u>	<u>2.16:1</u>	<u>2.39:1</u>
Liquidity Statement				
Cash and Cash Equivalents	\$ 519,363	221,636	691,474	1,333,379
Investments	4,907,903	5,474,952	6,065,745	8,432,597
A/R - Church Remittances	3,658,016	3,530,772	3,478,240	4,560,668
Total Liquid Assets	<u>9,085,282</u>	<u>9,227,360</u>	<u>10,235,459</u>	<u>14,326,644</u>
Less Commitments:				
Current Liabilities	<u>(5,912,413)</u>	<u>(5,793,961)</u>	<u>(6,253,757)</u>	<u>(8,463,623)</u>
Liquid Assets Surplus (Deficit)	\$ <u>3,172,869</u>	<u>3,433,399</u>	<u>3,981,702</u>	<u>5,863,021</u>
% Liquid Assets to Commitments	<u>154%</u>	<u>159%</u>	<u>164%</u>	<u>169%</u>
* Interfund borrowing between Operating Funds is eliminated in the combined totals.				
** Calculation of Recommended Working Capital:				
Total Unrestricted Revenue, Gains, and Support	\$ <u>31,716,387</u>	<u>32,910,442</u>	<u>32,215,615</u>	<u>43,735,998</u>
% of above - 25%	7,855,287	8,227,611	7,996,393	10,425,451
% of above - 20%	59,048	67,166	46,008	406,839
Long-Term Payables	2,867,294	3,506,325	1,742,838	3,573,387
Temporarily Restricted Net Assets	<u>1,450,765</u>	<u>1,332,354</u>	<u>1,431,594</u>	<u>1,322,078</u>
Total Recommended Working Capital	\$ <u>12,232,394</u>	<u>13,133,456</u>	<u>11,216,833</u>	<u>15,727,755</u>

*** The total column is comprised of the Conference Operating Fund and the Current Operating Fund only and excludes matured trusts and wills and releases from restrictions.



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POLICY COMPLIANCE REPORT

To the Constituents
Southern California Conference of Seventh-day Adventists
Glendale, California

We have audited, in accordance with United States of America auditing standards generally accepted by the Seventh-day Adventist denomination, the consolidated statements of financial position of Southern California Conference of Seventh-day Adventists (Organization), as of December 31, 2010, 2009, 2008, and 2007, and the related consolidated statements of changes in net assets and cash flows for the years then ended, and have issued our report thereon dated April 27, 2011.

NADWP S 05 41 (formerly P 15 60) does not allow conference organizations to borrow money for the purpose of loaning it to churches. At December 31, 2010, the balance payable on loans which had been re-loaned to constituent congregations was \$4,029,910 and the balance receivable from the 13 constituent congregations and 2 schools was \$4,029,910. At December 31, 2009, the balance payable on loans which had been re-loaned to constituent congregations totaled \$4,239,648, and the balance receivable from 16 constituent congregations and 3 schools was \$4,239,648. At December 31, 2008, the balance payable on loans which had been re-loaned to constituent congregations was \$3,619,652, and the balance receivable from 15 constituent congregations and 4 schools was \$3,619,652. At December 31, 2007, the balance payable on loans which had been re-loaned to constituent congregations totaled \$4,584,925, and the balance receivable from 16 constituent congregations and 4 schools was \$4,584,925.

NADWP Y 21 20 (formerly X 21 20) requires that loans from employees who have been terminated, transferred, retired, or who have vacated the property for which the loans were provided are to be collected in full. At December 31, 2009, 2008, and 2007, the Organization held loans receivable from one, two, and two former employees totalling \$2,381, \$17,071, and \$15,763, respectively.

NADWP Y 29 15 (formerly X 30 15) requires that the amount of automobile insurance assistance shall be determined by applying the appropriate factors to the average premiums of two insured automobiles owned by and used primarily by the employee and spouse. For 2010, 2009, and 2008, the Organization calculated automobile insurance assistance for all eligible employees, including officers, by multiplying the appropriate allowance factor by the premium of one automobile, as opposed to averaging the two premiums and then applying the appropriate allowance factor.

NADWP Y 29 15 requires for those eligible for automobile insurance assistance to carry certain types of insurance with stipulated minimum limits. For 2007, 8 of the 12, automobile policies we reviewed, did not carry the minimum deductibles and / or minimum liability limits

NADWP Y 36 10 (formerly X 40 10) states that an employee who is terminated for violation of organizational policies and/or misconduct, or for criminal behavior is not eligible for a termination settlement. During 2008, the Organization paid a termination settlement to two employees who were terminated for misconduct.

NADWP Y 36 20 and 60 (formerly X 40 20 and 60) requires a terminating employer to record a termination settlement on the individual's service record without affecting the service credit, issue a separation agreement to the terminated employee as soon as reasonably practicable following cessation of employment, and obtain a release of liability before disbursing the settlement. During 2009, the Organization increased the service credit of an individual who received a termination settlement. During 2008, the Organization paid a termination settlement to an employee who had been terminated at June 30, 2005, without recording it in the individual's service record or obtaining a signed release of liability. During 2008, the Organization paid a termination settlement to one employee without obtaining the required signed release of liability separation agreement.

In connection with our audits, as internal auditors of the General Conference of Seventh-day Adventists, except for the noncompliance with the policies discussed in the preceding paragraphs, nothing came to our attention that caused us to believe that the Organizations failed to comply with the Working Policy of the North American Division of the General Conference of Seventh-day Adventists insofar as it relates to those policies designated as "core" policies. However, our audits were not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the officers of the Organizations, their financial audit review committee, their governing committees, the delegates to their constituency meetings, and the officers and their designees of higher denominational organizations. This report is not intended to be and should not be used by anyone other than the specified parties.

General Conference Auditing Service

General Conference Auditing Service

April 27, 2011

