

**ADVENT CHRISTIAN GENERAL CONFERENCE  
OF AMERICA, INCORPORATED**

**Charlotte, North Carolina**

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Audited Financial Statements

December 31, 2018

**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Advent Christian General Conference of America, Incorporated  
Charlotte, North Carolina

We have audited the accompanying financial statements of Advent Christian General Conference of America, Incorporated (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from Advent Christian General Conference of America, Incorporated's 2017 financial statements, and in our report dated July 30, 2018 we expressed an unqualified opinion on those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Advent Christian General Conference of America, Incorporated as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The individual fund financial statements and schedules on pages 17-25 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Rowell, Craven + Short, P.A.*

July 30, 2019  
Charlotte, North Carolina

## **FINANCIAL STATEMENTS**

**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**

*Statement of Financial Position*

*December 31, 2018*

*(With Comparative Totals as of December 31, 2017)*

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash on hand and invested	\$ 961,477	\$ 842,920
Investments	3,066,766	2,164,989
Accounts receivable	4,206	5,405
Inventories	28,914	30,443
Prepaid expenses	<u>9,837</u>	<u>5,323</u>
Total current assets	<u>4,071,200</u>	<u>3,049,080</u>
Investments- long term	-	612,256
Investments- pension	8,348,223	9,440,339
Property and equipment, net	<u>270,503</u>	<u>291,341</u>
Total assets	<u>\$ 12,689,926</u>	<u>\$ 13,393,016</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 56,987	\$ 32,300
Departmental accommodations	33,671	37,894
Subscriptions due	<u>4,394</u>	<u>9,795</u>
Total current liabilities	<u>95,052</u>	<u>79,989</u>
Ministers' accumulated vested benefits- A Fund	4,783,642	4,441,330
Ministers' accumulated vested benefits- B Fund	1,431,759	1,501,070
Pension annuity - participants vested amounts	<u>1,013,121</u>	<u>1,194,239</u>
Total long-term liabilities	<u>7,228,522</u>	<u>7,136,639</u>
Total liabilities	<u>7,323,574</u>	<u>7,216,628</u>
Net assets:		
With donor restrictions	2,437,035	3,229,234
Without donor restrictions	<u>2,929,317</u>	<u>2,947,154</u>
Total net assets	<u>5,366,352</u>	<u>6,176,388</u>
Total liabilities and net assets	<u>\$ 12,689,926</u>	<u>\$ 13,393,016</u>

*The notes to the financial statements are an integral part of this statement.*



**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**

*Statement of Activities and Changes in Net Assets*

*For the Year Ended December 31, 2018*

*(With Comparative Totals for the Year Ended December 31, 2017)*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total All Funds</u>	
			<u>2018</u>	<u>2017</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Support:				
United ministries	\$ 634,634	\$ -	\$ 634,634	\$ 676,097
Penny crusade	483,378	-	483,378	484,949
Christmas in October	54,359	-	54,359	61,487
First responders	31,126	-	31,126	29,905
Individual and estate gifts	227,600	73,134	300,734	335,102
Field offerings and other gifts	26,398	-	26,398	22,785
Revenues and gains:				
Administrative service fees	16,000	-	16,000	16,000
Pension deposits	234,564	-	234,564	284,549
Subscriptions	27,433	-	27,433	24,212
Income on investments	263,451	2,545	265,996	208,430
Convention income	-	850	850	52,358
Other income	7,239	-	7,239	-
Gains (losses) on sale of marketable securities	318,181	(8,948)	309,233	413,401
Resource Center gross profit	43,144	-	43,144	42,157
Unrealized gain (loss) on investments, net	(1,176,081)	116,732	(1,059,349)	913,465
Total revenues, gains and other support	<u>1,191,426</u>	<u>184,312</u>	<u>1,375,738</u>	<u>3,564,897</u>
Reclassifications:				
Satisfaction of purpose restriction	122,083	(122,083)	-	-
Transfers between funds, ACGC Fund	842,781	(842,781)	-	-
Transfers between funds, Pension Fund	(91,886)	-	(91,886)	(369,225)
Total reclassifications	<u>872,978</u>	<u>(964,864)</u>	<u>(91,886)</u>	<u>(369,225)</u>
<b>EXPENSES</b>				
Program services:				
United ministries program	334,491	-	334,491	353,478
International and home missions program	562,609	-	562,609	638,777
Church health and communications program	310,342	-	310,342	253,032
Leadership development program	82,034	-	82,034	120,854
Convention program	-	-	-	64,887
Pension distributions to members	320,612	-	320,612	409,123
Supporting services:				
Management and general	463,419	11,646	475,065	453,774
Fund raising	8,734	-	8,734	13,463
Total expenses	<u>2,082,241</u>	<u>11,646</u>	<u>2,093,887</u>	<u>2,307,388</u>
Change in net assets	<u>(17,837)</u>	<u>(792,198)</u>	<u>(810,035)</u>	<u>888,284</u>
Net assets, beginning of year	2,947,154	3,229,234	6,176,388	5,288,102
Net assets, end of year	<u>\$ 2,929,317</u>	<u>\$ 2,437,036</u>	<u>\$ 5,366,353</u>	<u>\$ 6,176,386</u>

*The notes to the financial statements are an integral part of this statement.*

**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**

*Statement of Functional Expenses  
For the year ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)*

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2018</u>	<u>2017</u>
Grants to foreign missions	\$ 225,050	\$ -	\$ -	\$ 225,050	\$ 236,929
Salaries and benefits	414,524	201,897	-	616,421	742,802
Professional services	46,796	106,430	-	153,226	86,821
Office expenses	37,455	48,795	6,821	93,071	65,512
Information technologies	4,105	4,619	-	8,724	12,128
Occupancy	-	24,716	-	24,716	38,258
Travel	54,814	26,896	1,913	83,623	81,299
Conferences	-	-	-	-	64,887
Payments to affiliates	335,515	79,534	-	415,049	407,790
Depreciation	-	20,381	-	20,381	21,541
Insurance	-	9,934	-	9,934	8,469
Pension distributions	320,612	-	-	320,612	409,123
Missions program	117,163	-	-	117,163	127,027
Allocation of indirect expenses	54,054	(54,054)	-	-	-
Other	-	5,917	-	5,917	4,802
	<u>\$ 1,610,088</u>	<u>\$ 475,065</u>	<u>\$ 8,734</u>	<u>\$ 2,093,887</u>	<u>\$ 2,307,388</u>

*The notes to the financial statements are an integral part of this statement.*

**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**

*Statement of Cash Flows*

*For the Year Ended December 31, 2018*

*(With Comparative Totals for the Year Ended December 31, 2017)*

	<u>2018</u>	<u>2017</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (810,035)	\$ 888,284
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	20,381	21,541
Loss (gain) on sale of investments	(309,233)	(413,401)
Loss on disposal of assets	457	597
Unrealized (gain) loss on investments, net	1,059,350	(913,465)
Receipt of donated stock	(14,396)	(14,533)
(Increase) decrease in operating assets:		
Accounts receivable	1,199	(1,315)
Inventories	1,529	16,822
Prepaid expenses	(4,514)	8,373
Increase (decrease) in operating liabilities:		
Accounts payable	24,687	(40,223)
Departmental accommodations	(4,223)	(8,108)
Subscriptions due	(5,401)	(1,339)
Net cash used by operating activities	<u>(40,199)</u>	<u>(456,767)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(5,134)
Proceeds from sale of assets	-	-
Purchases of investments	(6,122,442)	(5,000,179)
Proceeds from redemption of investments	6,189,316	5,147,016
Net cash provided by investing activities	<u>66,874</u>	<u>141,703</u>
<b>FINANCING ACTIVITIES</b>		
Change in vested benefits	91,417	501,805
Transfers between funds, net	468	1,360
Net cash provided by financing activities	<u>91,885</u>	<u>503,165</u>
Net increase in cash	118,560	188,101
Cash, at beginning of year	<u>842,922</u>	<u>654,821</u>
Cash, at end of year	<u>\$ 961,482</u>	<u>\$ 842,922</u>



# ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED

## *Notes to Financial Statements*

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### NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Organization**

The Advent Christian General Conference of America, Inc. is organized to serve the denomination of Advent Christian people. The General Conference serves by promoting the mission and purpose of the Advent Christian Church, working interdependently with all denominational entities, encouraging each local Advent Christian Church and coordinating common endeavors to fulfill the Great Commission of our Lord Jesus Christ. The General Conference provides religious and missionary services through various programs including United Ministries, Convention, International Missions, Church Health and Communications.

#### **Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### **Accounts Receivable**

Accounts receivable are comprised of amounts due from customers for goods shipped requiring payment within 30 days from the invoice date. The Organization provides for losses on accounts receivable using the allowance method. The allowance method is based on experience and each customer balance is individually reviewed when the balance exceeds 90 days from the invoice date. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Credit losses, when realized, have been within the range of the Organization's expectations and, historically have not been significant. Accounts receivable are reported at the full amount management expects to collect from outstanding balances. Management considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts was considered necessary.

#### **Investments**

Cash, cash investments, securities, certificates of deposit and passbook accounts are reflected at fair market value plus interest earned and credited through December 31, 2018 and 2016. Investments in securities are reflected at fair market value or at estate value in the case of bequests. Dividends earned are recognized as income at the time the funds are received. In accordance with FASB ASC 958-320-50 unrealized gains or losses are included in the statement of activities and changes in net assets.

#### **Inventories**

Inventories are stated at the lower of cost or market and consist primarily of literature, hymnal and supply inventories. Cost is determined by the average cost method.

**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**

*Notes to Financial Statements*

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Property**

Property and equipment that is purchased are carried at cost, while property received through gifts are recorded at fair market value at the date of the gift. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes which amounted to \$20,381 and \$21,541 for years ended December 31, 2018 and 2017, respectively.

	2018	2017
Land and land improvements	\$ 231,954	\$ 231,954
Headquarters property	279,678	279,678
Headquarters furnishings and equipment	77,254	80,459
Residences (including furnishings)	130,471	130,471
Vehicles	24,991	24,991
	<u>744,348</u>	<u>747,553</u>
Less, accumulated depreciation	473,846	456,213
Total property and equipment, net	<u>\$ 270,502</u>	<u>\$ 291,340</u>

**Shipping and Handling Costs**

The Organization classifies freight billed to customers as sales revenue and the related freight costs as cost of sales.

**Support, Revenue and Expenses**

Contributions received by the Organization are recorded as without donor restrictions or with donor restrictions, depending on the existence and nature of any donor restrictions. All contributions are considered to be without donor restrictions unless specifically restricted by the donor or subject to legal restrictions.

The Organization records contributions with the donor restriction class of net assets if they are received with donor stipulations that limit their use through either purpose or time restrictions or both. When donor restrictions expire – that is, when the purpose restriction is fulfilled or the time restriction expires – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. It is the Organization's policy to record donor-restricted contributions received and expended in the same accounting period as contributions with donor restrictions and as net assets released from restrictions. Contributions restricted to the purchase of property or equipment are considered to be met when the asset is placed in service.

Contributions are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets to be used directly in the operations is transferred to the Organization.

Other revenue is recorded when earned.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**

*Notes to Financial Statements*

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Methods used for Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. All expenses with the exception of occupancy and depreciation are allocated based on time and effort spent on each respective program or supporting function. Occupancy and depreciation are allocated based on square footage.

**NOTE 2- INVESTMENTS**

Investments are presented in the financial statements at fair market value at December 31, 2018 as follows:

	12/31/2018		Unrealized
	Cost	Market Value	Gain(Loss) on Investments
Pension funds	\$ 6,349,834	\$ 8,348,223	\$ 1,998,389
With donor restrictions	1,291,167	2,383,308	1,092,141
Without donor restrictions	708,926	683,457	(25,469)
<b>Total</b>	<b>\$ 8,349,927</b>	<b>\$ 11,414,988</b>	<b>\$ 3,065,061</b>
			Unrealized
			Gain(Loss) on
			Investments
<b>Pension Funds</b>	<b>Cost</b>	<b>Market Value</b>	
Fixed income securities:			
Corporate bonds	\$ 6,319	\$ 5,752	\$ (567)
Government obligations	368,039	408,415	40,376
Certificates of deposits	424,000	423,941	(59)
Common stock	1,717,490	3,080,217	1,362,727
Exchange traded funds	3,004,435	2,922,180	(82,255)
Mutual funds	829,551	1,507,718	678,167
	<b>\$ 6,349,834</b>	<b>\$ 8,348,223</b>	<b>\$ 1,998,389</b>



**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**

*Notes to Financial Statements*

**NOTE 2- INVESTMENTS – continued**

	12/31/2018		Unrealized Gain(Loss) on Investments
	Cost	Market Value	
<b>With Donor Restrictions</b>			
Fixed income securities:			
Certificates of deposit	\$ 100,000	\$ 99,957	\$ (43)
Common stock	991,824	2,091,846	1,100,022
Exchange traded funds	183,999	175,571	(8,428)
Mutual funds	15,344	15,934	590
	<u>\$ 1,291,167</u>	<u>\$ 2,383,308</u>	<u>\$ 1,092,141</u>
<b>Without Donor Restrictions</b>			
Fixed income securities:			
Certificates of deposit	\$ 60,000	\$ 59,996	\$ (4)
Common stock	9,537	10,158	621
Exchange traded funds	561,906	528,273	(33,633)
Mutual funds	77,483	85,030	7,547
	<u>\$ 708,926</u>	<u>\$ 683,457</u>	<u>\$ (25,469)</u>
<b>Total all funds</b>			
Fixed income securities:			
Corporate bonds	6,319	5,752	(567)
Government obligations	368,039	408,415	40,376
Certificates of deposits	584,000	583,894	(106)
Common stock	2,718,851	5,182,221	2,463,370
Exchange traded funds	3,750,340	3,626,024	(124,316)
Mutual funds	922,378	1,608,682	686,304
	<u>\$ 8,349,927</u>	<u>\$ 11,414,988</u>	<u>\$ 3,065,061</u>

The following tabulation summarizes the net increase(decrease) in unrealized appreciation of investments at December 31, 2018 and 2017 as follows:

	Cost	Market Value	Market over Cost (Cost over Market)
Balance at end of year	<u>\$ 8,349,927</u>	<u>\$ 11,414,988</u>	<u>\$ 3,065,061</u>
Balance at beginning of year	<u>\$ 8,093,171</u>	<u>\$ 12,217,585</u>	<u>\$ 4,124,414</u>
Increase in unrealized appreciation of investments.			<u>\$ (1,059,353)</u>

**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**

*Notes to Financial Statements*

**NOTE 2- INVESTMENTS – continued**

	12/31/2017		Market over Cost (Cost over Market)
	Cost	Market Value	
Balance at end of year	\$ 8,093,171	\$ 12,217,584	\$ 4,124,413
Balance at beginning of year	\$ 7,812,072	\$ 11,023,019	\$ 3,210,947
Increase in unrealized appreciation of investments.			\$ 913,466

Unrealized gain (loss) on investments is reported in Revenues, Gains, and Other Support on the Statement of Activities.

Professional literature defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The guidance states that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions market participants would use in pricing the asset or liability under current market conditions at the measurement date. As a basis for considering market participant assumptions in fair value measurements, the guidance establishes a fair value hierarchy that is based on the subjectivity of inputs (Level I and II) which are either observable market data or those that are unobservable (Level III).

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Three levels of inputs that may be used to measure fair value are as follows:

- Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2- Inputs to the valuation methodology include:
  - A. Quoted prices for similar assets or liabilities in active markets.
  - B. Quoted prices for identical or similar assets or liabilities in inactive markets.
  - C. Inputs other than quoted prices that are observable for the asset or liability.
  - D. Inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3- Inputs to the valuation methodology are unobservable and significant to the fair value measurement.



**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**

*Notes to Financial Statements*

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**NOTE 2- INVESTMENTS- Continued**

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments. For example, short-term debt securities maturing in sixty days or less are generally valued at amortized cost. Generally, amortized cost approximates the current fair value of short-term debt securities, but since the valuation is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Equity securities- mutual funds and common stock: Valued at the quoted market price from the exchange.

Corporate debt securities and government obligations: Valued based on recently executed transactions and market quotations (where observable).

Certificate of deposits: Valued at cost, which approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**

*Notes to Financial Statements*

**NOTE 2- INVESTMENTS- Continued**

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018 and 2017, respectively:

<b>Fair Value Measurements at Reporting Date Using</b>				
	<b>Quoted Prices in Active Markets for Identical Assets (Level I)</b>	<b>Significant Other Observable Inputs (Level II)</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>Exchange Traded Funds:</b>				
Corporate Bond Funds	\$ 99,483	\$ -	\$ 99,483	\$ 720,996
Emerging Market Funds	81,893	-	81,893	250,695
Energy	141,168	-	141,168	-
Financial	484,231	-	484,231	-
High Yield Bond Funds	81,186	-	81,186	298,582
Industrials	682,627	-	682,627	-
International Funds	104,477	-	104,477	59,667
Inflation-Protected Bond Funds	-	-	-	43,130
Intermediate Funds	526,370	-	526,370	933,192
Large Funds	264,405	-	264,405	119,371
Long Term Funds	43,309	-	43,309	425,159
Mid-Cap Funds	4,266	-	4,266	8,149
Nontraditional Bond Funds	80,443	-	80,443	214,976
Real Estate Funds	-	-	-	6,180
Short Term Funds	328,745	-	328,745	40,595
Technology	199,876	-	199,876	-
Ultrashort Funds	435,320	-	435,320	223,652
Other Funds	68,224	-	68,224	84,888
<b>Fixed Income:</b>				
Corporate Bonds	-	5,752	5,752	6,042
Government obligations	-	408,415	408,415	428,176
<b>Mutual Funds:</b>				
International Funds	10,491	-	10,491	16,996
Large Funds	850,097	-	850,097	988,555
Mid-Cap Funds	737,761	-	737,761	807,123
Small Funds	10,332	-	10,332	15,482
<b>Common Stocks:</b>				
Basic Materials	18,719	-	18,719	33,945
Consumer Goods	327,943	-	327,943	525,255
Financial	1,558,250	-	1,558,250	1,711,489
Healthcare	703,407	-	703,407	770,974
Industrial Goods	360,618	-	360,618	536,298
Services	672,820	-	672,820	703,945
Technology	1,402,198	-	1,402,198	1,806,580
Utilities	138,267	-	138,267	127,469
Certificates of Deposit	-	583,894	583,894	310,023
	\$ 10,416,926	\$ 998,061	\$ 11,414,987	\$ 12,217,584

# ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED

## Notes to Financial Statements

### NOTE 3- CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at multiple financial institutions. The Organization has not experienced any losses in the accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018 and 2017 the Organization's uninsured cash balances were \$532,546 and \$196,287 respectively.

The Organization's marketable securities at December 31, 2018 and 2017 are held by financial services companies. Management believes the Organization has no significant concentration of credit risk with respect to these investments.

### NOTE 4- COMPENSATED ABSENCES

The Organization provides for vacation and sick leave for employees as work load allows. Compensated absences for vacation and sick pay have not been accrued since they cannot be reasonably estimated, but are expensed as incurred.

### NOTE 5- OPERATING LEASES

The Organization presently leases certain office equipment which is classified as operating leases under certain criteria established by the Financial Accounting Standards Board Codification. Total rent expense for December 31, 2018 and 2017 was \$19,831 and \$16,911, respectively. Future minimum rental payments required under operating leases having initial or remaining non-cancelable terms in excess of one year at December 31, 2018 were:

2019	\$ 16,150
2020	15,316
2021	9,540
2022	2,308
2023	769
	<u>\$ 44,083</u>

### NOTE 6 - INCOME TAXES

The Organization has obtained exemption from income taxes under Section 501(c) (3) of the Internal Revenue Code and, therefore, no provision for income taxes has been recognized in the accompanying financial statements. Although the Organization is exempt from filing a tax return because of their religious exemption, they are voluntarily filing Form 990 beginning with the 2012 year.

The Financial Accounting Standards Board (FASB) issued FASB ASC 740-10, "Accounting for Uncertainty in Income Taxes," which clarifies the accounting and recognition for income tax positions taken. While Advent Christian General Conference is considered a tax-exempt organization, the provisions of ASC 740-10 may still apply in certain situations. ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in the tax return. ASC 740-10 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, and disclosure.



# ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED

## Notes to Financial Statements

### NOTE 6 - INCOME TAXES – continued

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Management will continually evaluate expiring statutes of limitations, changes in tax law, and new authoritative rulings.

### NOTE 7- DEFINED CONTRIBUTION PLAN

The General Conference has established a defined contribution plan for its ministers and employees. Ministers in the conference can contribute to the plan and their respective churches also can make contributions to the plan. Contributions received in the plan totaled \$234,564 and \$284,549 for years ended December 31, 2018 and 2017, respectively. Below are the respective liabilities for the pension fund. The General Conference annually contributes nine percent of the senior staff salary to the plan.

Ministers' Accumulated Vested Benefit Accounts– This represents an obligation to fund the members' vested pension accounts in accordance with contractual agreements. Total amount of accumulated vested benefits at December 31, 2018 and 2017 is \$6,215,401 and \$5,942,400 respectively.

### NOTE 8- ANNUITY PARTICIPANTS VESTED AMOUNTS

Upon retirement, member balances are transferred from Part II to Part III and their lifetime annual annuity payments are calculated based on their accumulated balance and life expectancy. Obligations to fund the members' vested annuity account in accordance with contractual agreements are reported in the Statement of Financial Position as Pension annuity- participants vested amounts. Distributions to participants under this plan for the years ended December 31, 2018 and 2017 were \$141,880 and \$140,885, respectively. The fair market value of Part III investments set aside for this plan at December 31, 2018 was \$965,908. According to the actuarial study the obligation to participants at December 31, 2018 was \$1,013,121. The investments consist of 54.43% invested in government securities and corporate bonds and the remaining 45.57% invested in mutual funds and certificates of deposits. An actuarial study was performed on January 12, 2017 for the December 31, 2016 year end. The obligation on the balance sheet is currently at that actuarial valuation. Actuarial valuations are completed every three years. Below contains information on the assumptions used in the study:

Measurement Period 01/01/2016-12/31/2016

Asset valuation method: Fair market value of assets at 12/31/2016

Interest rate 3.50%\*

Retirees \*\* 29

\* This interest rate was chosen to comply with Accounting Standards Codification Section 715-20-50. This interest rate is based on spot yields of investment grade, long-term corporate bonds as of December 31, 2016, with duration similar to the duration of the liabilities for annuity benefits being valued in this plan.

\*\* Generational RP-2014 Mortality Table for Healthy Annuitants, with mortality projection using MP-2016 Mortality Projection Scale.

**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**

*Notes to Financial Statements*

**NOTE 9- PRIOR YEAR SUMMARIZED INFORMATION**

The financial statements and related notes contain certain prior year comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2017, from which summarized information was derived.

**NOTE 10- NET ASSETS WITHOUT DONOR RESTRICTIONS**

At December 31, 2018, from net assets without donor restrictions of \$2,929,317, the board of directors has designated \$703,165 subject to expenditures for specified purposes. The amount designated at December 31, 2017 was \$696,698.

	<b>Fund Balance 1/1/2018</b>	<b>Income</b>	<b>Expenses</b>	<b>Transfers In (Out)</b>	<b>Fund Balance 12/31/18</b>
<b><u>Board Designated</u></b>					
Church Planting Fund	\$ 51,046	\$ -	\$ 149	\$ -	\$ 50,897
Tithing Powers Endowment	335,079	9,172	-	-	344,251
New Church Builders Union	25,350	-	-	-	25,350
Convention Reserve	68,364	-	2,256	-	66,108
J. Howard Shaw Endowment Fund	110,661	-	-	-	110,661
Properties Capital Reserve Fund	-	5,945	5,945	-	-
C. Kirby Endowment Fund Missions	105,898	-	-	-	105,898
World Missions Reseve Fund	-	5,498	5,498	-	-
Fair Market Value Investment Adjustment	-	-	-	-	-
<b>Total Board Designated</b>	<b>696,398</b>	<b>20,615</b>	<b>13,848</b>	<b>-</b>	<b>703,165</b>
Net investment in property and equipment					270,503
Undesignated					<u>1,955,649</u>
<b>Total Net Assets Without Donor Restrictions</b>					<b><u>\$ 2,929,317</u></b>



**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**

*Notes to Financial Statements*

**NOTE 11- NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes at December 31, 2018:

	<b>Fund Balance 1/1/2018</b>	<b>Income</b>	<b>Expenses</b>	<b>Transfers In (Out)</b>	<b>Fund Balance 12/31/18</b>
<b>Subject to expenditure for specified purpose</b>					
AIMS Support Fund	850	-	-	(850)	-
Minority Scholarship Fund	3,583	(127)	1,500	-	1,956
Leadership Resource Fund	53,753	(452)	600	850	53,551
Leader's Conference	-	15,575	-	-	15,575
TLC Project Fund	4,832	12,301	14,747	-	2,386
Powers Trust Fund	1,086,575	(16,609)	75,709	-	994,257
Missionary Relief Fund	-	25	-	-	25
Radio Evangelism	11,755	-	-	-	11,755
Pastors Library Fund	16,211	4,945	3,325	-	17,831
Missions Project Fund	164,370	19,384	17,122	-	166,632
Short Term Missions Fund	2,517	25	-	-	2,542
World Hunger/Emergency Relief	20,207	21,329	8,579	-	32,957
Focus Home Missions Fund	450	400	-	-	850
Michael Scholarship Fund	1,050	(509)	500	-	41
Fair Market Value Investment Adjustment	266,731	-	-	833,290	1,100,021
<b>Subtotal</b>	<b>1,632,884</b>	<b>56,287</b>	<b>122,082</b>	<b>833,290</b>	<b>2,400,379</b>
<b>Investment in perpetuity, which once appropriated, is expended to support:</b>					
Leadership Resource Endowment	12,752	-	-	-	12,752
Shew Trust	9,917	(352)	-	-	9,565
Michael Scholarship Endowment	14,339	-	-	-	14,339
<b>Subtotal</b>	<b>37,008</b>	<b>(352)</b>	<b>-</b>	<b>-</b>	<b>36,656</b>
<b>Total Net Assets with Donor Restrictions</b>	<b>\$ 1,669,892</b>	<b>\$ 55,935</b>	<b>\$ 122,082</b>	<b>\$ 833,290</b>	<b>\$ 2,437,035</b>

**NOTE 12- DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 30, 2019, the date that the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**  
**ACGC**

*Statement of Financial Position*

*December 31, 2018*

*(With Comparative Totals as of December 31, 2017)*

	Without Donor Restrictions	With Donor Restrictions	Total All Funds	
			2018	2017
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 251,448	\$ 12,037	\$ 263,485	\$ 651,436
Investments	683,457	2,383,309	3,066,766	2,164,989
Accounts receivable	4,206	-	4,206	5,405
Inventories	28,914	-	28,914	30,443
Prepaid expenses	9,837	-	9,837	5,323
Due from (to) funds	(41,689)	41,689	-	-
Total current assets	936,173	2,437,035	3,373,208	2,857,596
Investments- long term	-	-	-	612,256
Property and equipment, net	270,503	-	270,503	291,341
Total assets	\$ 1,206,676	\$ 2,437,035	\$ 3,643,711	\$ 3,761,193
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable	\$ 56,987	\$ -	\$ 56,987	\$ 31,834
Departmental accommodations	33,671	-	33,671	37,894
Subscriptions due	4,394	-	4,394	9,795
Total current liabilities	95,052	-	95,052	79,523
Total liabilities	95,052	-	95,052	79,523
Net assets:				
With donor restrictions	-	2,437,035	2,437,035	3,229,234
Without donor restrictions	1,111,624	-	1,111,624	452,436
Total net assets	1,111,624	2,437,035	3,548,659	3,681,670
Total liabilities and net assets	\$ 1,206,676	\$ 2,437,035	\$ 3,643,711	\$ 3,761,193

*See accompanying notes to the financial statements.*

**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**  
**ACGC**

*Statement of Activities and Changes in Net Assets*  
*For the Year Ended December 31, 2018*

*(With Comparative Totals for the Year Ended December 31, 2017)*

	Without Donor Restrictions	With Donor Restrictions	Total All Funds	
			2018	2017
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Support:				
United ministries	\$ 634,634	\$ -	\$ 634,634	\$ 676,097
Penny crusade	483,378	-	483,378	484,949
Christmas in October	54,359	-	54,359	61,487
First responders	31,126	-	31,126	29,905
Individual and estate gifts	227,600	73,134	300,734	335,102
Field offerings and other gifts	26,398	-	26,398	22,785
Revenues and gains:				
Administrative service fees	16,000	-	16,000	16,000
Subscriptions	27,433	-	27,433	24,212
Income on investments	26,006	2,545	28,551	20,736
Convention income	-	850	850	52,358
Other income	-	-	-	-
Gains (losses) on sale of marketable securities	(1,566)	(8,948)	(10,514)	343,694
Resource Center gross profit	43,144	-	43,144	42,157
Unrealized gain (loss) on investments, net	(177,164)	116,732	(60,432)	202,891
<b>Total revenues, gains and other support</b>	<b>1,391,348</b>	<b>184,312</b>	<b>1,575,660</b>	<b>2,312,373</b>
Reclassifications:				
Satisfaction of purpose restriction	122,083	(122,083)	-	-
Transfers between funds, ACGC Fund	842,781	(842,781)	-	-
<b>Total reclassifications</b>	<b>964,864</b>	<b>(964,864)</b>	<b>-</b>	<b>-</b>
<b>EXPENSES</b>				
Program services:				
United ministries program	334,491	-	334,491	353,478
International and home missions program	562,609	-	562,609	638,777
Church health and communications program	310,342	-	310,342	253,032
Leadership development program	82,034	-	82,034	120,854
Convention program	-	-	-	64,887
Supporting services:				
Management and general	398,814	11,646	410,460	398,406
Fund raising	8,734	-	8,734	13,463
<b>Total expenses</b>	<b>1,697,024</b>	<b>11,646</b>	<b>1,708,670</b>	<b>1,842,897</b>
Change in net assets	659,188	(792,198)	(133,010)	469,476
Net assets, beginning of year	452,436	3,229,233	3,681,669	3,212,193
<b>Net assets, end of year</b>	<b>\$ 1,111,624</b>	<b>\$ 2,437,035</b>	<b>\$ 3,548,659</b>	<b>\$ 3,681,669</b>

*See accompanying notes to the financial statements.*

**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**  
**ACGC**

*Statement of Functional Expenses*

*For the year ended December 31, 2018*

*(With Comparative Totals for the Year Ended December 31, 2017)*

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2018</u>	<u>2017</u>
Grants to foreign missions	\$ 225,050	\$ -	\$ -	\$ 225,050	\$ 236,929
Salaries and benefits	414,524	201,897	-	616,421	742,802
Professional services	46,796	44,416	-	91,212	38,295
Office expenses	37,455	48,795	6,821	93,071	65,512
Information technologies	4,105	4,619	-	8,724	12,128
Occupancy	-	24,716	-	24,716	38,258
Travel	54,814	26,896	1,913	83,623	81,299
Conferences	-	-	-	-	64,887
Payments to affiliates	335,515	79,534	-	415,049	407,790
Depreciation	-	20,381	-	20,381	21,541
Insurance	-	7,826	-	7,826	6,238
Missions program	117,163	-	-	117,163	127,027
Allocation of indirect expenses	54,054	(54,054)	-	-	-
Other	-	5,434	-	5,434	191
	<u>\$ 1,289,476</u>	<u>\$ 410,460</u>	<u>\$ 8,734</u>	<u>\$ 1,708,670</u>	<u>\$ 1,842,897</u>

*See accompanying notes to the financial statements.*



**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**  
**ACGC**

*Statement of Cash Flows*  
*For the Year Ended December 31, 2018*  
*(With Comparative Totals for the Year Ended December 31, 2017)*

	<b>2018</b>	<b>2017</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (133,010)	\$ 469,476
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	20,381	21,541
(Gain) on disposal of assets	457	597
Loss (Gain) on sale of investments	10,514	(343,695)
Unrealized loss (gain) on investments, net	60,433	(202,891)
Receipt of donated stock	(14,396)	(14,533)
(Increase) decrease in operating assets:		
Accounts receivable	1,199	(1,315)
Inventories	1,529	16,822
Prepaid expenses	(4,514)	8,373
Increase (decrease) in operating liabilities:		
Accounts payable	25,153	(38,863)
Departmental accommodations	(4,223)	(8,108)
Subscriptions due	(5,401)	(1,339)
Net cash used by operating activities	(41,878)	(93,935)
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	-	(5,134)
Proceeds from sale of assets	-	-
Purchases of investments	(2,063,189)	(971,960)
Proceeds from redemption of investments	1,717,118	1,497,633
Net cash provided (used) by investing activities	(346,071)	520,539
Net increase in cash	(387,949)	426,605
Cash, at beginning of year	651,436	224,833
Cash, at end of year	\$ 263,487	\$ 651,438

*See accompanying notes to the financial statements.*

**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED  
BOARD OF PENSIONS**

*Statement of Financial Position  
December 31, 2018  
(With Comparative Totals as of December 31, 2017)*

	<b>Part I Operating Fund</b>	<b>Part II Ministers' Accumulation Fund</b>	
<b>ASSETS</b>			
Current assets:			
Cash on hand and invested	\$ 19,383	\$ 673,144	
Due from / to other Board of Pension funds	79,540	-	
Total current assets	98,923	673,144	
Investments- long term	100,105	7,160,922	
Total assets	\$ 199,028	\$ 7,834,066	
 <b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable	\$ -	\$ -	
Total current liabilities	-	-	
Long-term liabilities:			
Ministers' accumulated vested benefits- A Fund	-	4,783,642	
Ministers' accumulated vested benefits- B Fund	-	1,431,759	
Pension annuity- participants vested amounts	-	-	
Total long-term liabilities	-	6,215,401	
Total liabilities	-	6,215,401	
Net Assets:			
Unrestricted:			
Undesignated	199,028	1,618,665	
Total net assets	199,028	1,618,665	
Total liabilities and net assets	\$ 199,028	\$ 7,834,066	

*See accompanying notes to the financial statements.*

<b>Part III</b>	<b>Total All Funds</b>	
<b>Pension Annuity</b>		
<b>Fund</b>	<b>2018</b>	<b>2017</b>
\$ 5,465	\$ 697,992	\$ 191,484
(79,540)	-	-
(74,075)	697,992	191,484
<u>1,087,196</u>	<u>8,348,223</u>	<u>9,440,339</u>
<u>\$ 1,013,121</u>	<u>\$ 9,046,215</u>	<u>\$ 9,631,823</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466</u>
-	-	466
-	4,783,642	4,441,330
-	1,431,759	1,501,070
<u>1,013,121</u>	<u>1,013,121</u>	<u>1,194,239</u>
<u>1,013,121</u>	<u>7,228,522</u>	<u>7,136,639</u>
<u>1,013,121</u>	<u>7,228,522</u>	<u>7,137,105</u>
<u>-</u>	<u>1,817,693</u>	<u>2,494,718</u>
<u>-</u>	<u>1,817,693</u>	<u>2,494,718</u>
<u>\$ 1,013,121</u>	<u>\$ 9,046,215</u>	<u>\$ 9,631,823</u>

**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED  
BOARD OF PENSIONS**

*Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)*

	<b>Operating Fund</b>	<b>Ministers' Accumulated Vested Benefits</b>
<b>REVENUES AND GAINS</b>		
Revenues and gains:		
Pension deposits	\$ -	\$ 234,564
Income from investments	3,665	199,404
Gain (loss) on sale of securities, net	(2,797)	337,095
Withdrawal penalty	7,239	-
Unrealized gain (loss) on investments, net	(1,730)	(977,196)
	6,377	(206,133)
<b>Total revenues and gains</b>		
Reclassifications:		
Transfers between funds	78,995	(318,915)
<b>EXPENSES</b>		
General and administrative:		
General conference services	16,000	-
Board meetings	-	-
Pastors insurance	2,108	-
Securities expense	78	210
Management fees	521	33,350
Audit fee	6,350	-
Distributions to participants	-	178,732
	25,057	212,292
<b>Total expenses</b>		
Change in net assets	60,315	(737,340)
	138,713	2,356,005
<b>Net assets, beginning of year</b>		
	\$ 199,028	\$ 1,618,665
<b>Net assets, end of year</b>		

*See accompanying notes to the financial statements.*

Pension Annuity Participants Vested Amounts	Total All Funds	
	2018	2017
\$ -	\$ 234,564	\$ 284,549
34,376	237,445	187,694
(14,551)	319,747	69,707
-	7,239	-
(19,991)	(998,917)	710,574
(166)	(199,922)	1,252,524
148,034	(91,886)	(369,225)
-	16,000	16,000
-	-	-
-	2,108	2,231
195	483	4,611
5,793	39,664	24,513
-	6,350	8,013
141,880	320,612	409,123
147,868	385,217	464,491
-	(677,025)	418,808
-	2,494,718	2,075,909
<u>\$ -</u>	<u>\$ 1,817,693</u>	<u>\$ 2,494,717</u>



**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED**

**Board of Pensions**

*Statement of Functional Expenses*

*For the year ended December 31, 2018*

*(With Comparative Totals for the Year Ended December 31, 2017)*

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2018</u>	<u>2017</u>
Professional services	\$ -	\$ 62,014	\$ -	\$ 62,014	\$ 48,256
Travel	-	-	-	-	-
Insurance	-	2,108	-	2,108	2,231
Pension distributions	320,612	-	-	320,612	409,123
Other	-	483	-	483	4,611
	<u>\$ 320,612</u>	<u>\$ 64,605</u>	<u>\$ -</u>	<u>\$ 385,217</u>	<u>\$ 464,221</u>

*See accompanying notes to the financial statements.*

**ADVENT CHRISTIAN GENERAL CONFERENCE OF AMERICA, INCORPORATED  
BOARD OF PENSIONS**

*Statement of Cash Flows  
For the Year Ended December 31, 2018  
(With Comparative Totals for the Year Ended December 31, 2017)*

	<u>2018</u>	<u>2017</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (677,025)	\$ 418,808
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Loss (gain) on sale of investments	(319,747)	(69,707)
Unrealized loss (gain) on investments, net	998,917	(710,574)
Increase (decrease) in operating liabilities:		
Accounts Payable	<u>(466)</u>	<u>(1,360)</u>
Net cash provided by operating activities	<u>1,679</u>	<u>(362,833)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of investments	(4,059,253)	(4,028,219)
Proceeds from redemption of investments	<u>4,472,198</u>	<u>3,649,383</u>
Net cash provided by (used in) investing activities	<u>412,945</u>	<u>(378,836)</u>
<b>FINANCING ACTIVITIES</b>		
Change in vested benefits	91,417	501,805
Transfers between funds, net	<u>468</u>	<u>1,360</u>
Net cash used in financing activities	<u>91,885</u>	<u>503,165</u>
Net increase (decrease) in cash	506,509	(238,504)
Cash, at beginning of year	<u>191,484</u>	<u>429,988</u>
Cash, at end of year	<u>\$ 697,993</u>	<u>\$ 191,484</u>

*See accompanying notes to the financial statements.*