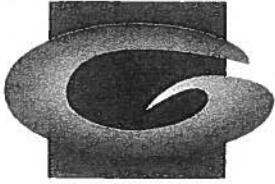


**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN
AMERICA**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
JANUARY 31, 2010 AND 2009**



Gilbert Associates, Inc.
CPAs and Advisors

INDEPENDENT AUDITOR'S REPORT

**Synod Council
Sierra Pacific Synod of the Evangelical
Lutheran Church in America
Oakland, California**

We have audited the accompanying statements of financial position of Sierra Pacific Synod of the Evangelical Lutheran Church in America (Synod) as of January 31, 2010 and 2009, and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the Synod's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Synod, as of January 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule on page 13 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to those statements taken as a whole.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

May 3, 2010

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 767,639	\$ 879,534
Notes receivable	1,873,393	
Prepaid expenses and other assets	<u>36,521</u>	<u>52,933</u>
Total current assets	2,677,553	932,467
NONCURRENT ASSETS:		
Investments	1,567,147	1,304,590
Notes receivable, net		1,824,289
Property from disbanded congregations	4,141,710	3,635,653
Property and equipment, net of accumulated depreciation	<u>40,621</u>	<u>37,829</u>
TOTAL ASSETS	<u>\$ 8,427,031</u>	<u>\$ 7,734,828</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 138,505	\$ 162,947
Agency trust accounts	122,008	222,080
Deferred trust accounts	87,327	69,763
Loan payable, current portion	<u>3,507</u>	<u>3,260</u>
Total current liabilities	351,347	458,050
LOAN PAYABLE, Net	<u>14,499</u>	<u>18,011</u>
Total liabilities	<u>365,846</u>	<u>476,061</u>
NET ASSETS:		
Unrestricted:		
Undesignated	394,413	365,353
Council designated outreach fund	<u>6,832,221</u>	<u>6,084,605</u>
Total unrestricted	7,226,634	6,449,958
Temporarily restricted	632,828	607,086
Permanently restricted	<u>201,723</u>	<u>201,723</u>
Total net assets	<u>8,061,185</u>	<u>7,258,767</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,427,031</u>	<u>\$ 7,734,828</u>

The accompanying notes are an integral part of these financial statements.

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**STATEMENTS OF ACTIVITIES
YEARS ENDED JANUARY 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS:		
REVENUES AND SUPPORT:		
Proportionate share from congregations	\$ 2,104,709	\$ 2,306,581
Property obtained from disbanded congregations		2,036,328
Change in market value of property from disbanded congregations	506,057	(2,737,675)
Net investment gains (losses)	262,334	(487,651)
Interest and dividends	121,008	145,032
Synod assembly registration	71,656	72,794
Shared staff income	24,250	42,471
Professional leadership conference	13,911	18,769
Other events	13,588	
Gain (loss) on sale of equipment and property		2,074
Net assets released from restriction	17,729	
Total revenues and support	<u>3,135,242</u>	<u>1,398,723</u>
EXPENSES:		
Program services:		
Institutions and agencies	1,288,286	1,367,545
Ministry development	302,248	358,028
Synod's mission	251,647	266,652
Synod assembly and conferences	123,169	99,439
Wooock fund	12,210	47,626
Warner trust fund	7,000	
Total program services	<u>1,984,560</u>	<u>2,139,290</u>
Supporting services:		
General and administrative	381,006	484,244
Total expenses	<u>2,365,566</u>	<u>2,623,534</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	769,676	(1,224,811)
TEMPORARILY RESTRICTED NET ASSETS:		
Interest and dividends - Warner trust fund	9,471	9,494
Contributions	41,000	
Net assets released from restriction	(17,729)	
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>32,742</u>	<u>9,494</u>
INCREASE (DECREASE) IN NET ASSETS	802,418	(1,215,317)
NET ASSETS, Beginning of Year	<u>7,258,767</u>	<u>8,474,084</u>
NET ASSETS, End of Year	<u>\$ 8,061,185</u>	<u>\$ 7,258,767</u>

The accompanying notes are an integral part of these financial statements.

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**STATEMENTS OF CASH FLOWS
YEARS ENDED JANUARY 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 802,418	\$ (1,215,317)
Reconciliation to net cash and equivalents used by operating activities:		
Depreciation and amortization	12,190	9,530
Net realized and unrealized (gain) loss on investments	(262,557)	487,651
Property obtained from disbanded congregations		(2,036,328)
(Increase) decrease in market value of property from disbanded congre;	(506,057)	2,737,675
Loss (gain) on sale of equipment and property		(2,074)
Changes in:		
Prepaid expenses and other assets	16,412	19,642
Notes receivable	(49,104)	(84,639)
Accounts payable and accrued liabilities	(24,442)	(3,443)
Agency trust accounts	(100,072)	17,362
Deferred trust accounts	17,564	(34,695)
Net cash and equivalents used by operating activities	<u>(93,648)</u>	<u>(104,636)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(14,982)	(40,774)
Proceeds from sale of property and equipment		7,025
Net cash and equivalents used by investing activities	<u>(14,982)</u>	<u>(33,749)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of loan payable		22,825
Repayment of loan payable	(3,265)	(1,552)
Net cash and equivalents (used) provided by financing activities	<u>(3,265)</u>	<u>21,273</u>
DECREASE IN CASH AND EQUIVALENTS	(111,895)	(117,112)
CASH AND EQUIVALENTS, Beginning of Year	<u>879,534</u>	<u>996,646</u>
CASH AND EQUIVALENTS, End of Year	<u>\$ 767,639</u>	<u>\$ 879,534</u>
COMPOSITION OF CASH AND EQUIVALENTS:		
Operating	\$ 487,935	\$ 586,462
Outreach	267,246	283,085
Warner Trust	12,458	9,987
	<u>\$ 767,639</u>	<u>\$ 879,534</u>

The accompanying notes are an integral part of these financial statements.

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2010 AND 2009**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Sierra Pacific Synod (Synod) of the Evangelical Lutheran Church in America (ELCA) was organized in 1986 as a California nonprofit religious corporation, to promote the Christian religion according to the tenets of faith set forth in the constitution of the ELCA. There are currently 205 congregations and 6 missions in the Synod's jurisdiction which includes 48 counties in Northern California and 12 counties in Nevada.

The Synod maintains relationships with several ELCA affiliated institutions and agencies within its territory. These relationships may include the appointment of institution and agency board members by the Synod Council, the governing body of the Synod.

Basis of presentation – The financial statements are presented in conformity with Accounting Standards Codification (ASC) 958-205, *Not-For-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, the Synod reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Revenue recognition – The Synod receives monthly mission support from congregations within its jurisdiction. Support from congregations is recorded as revenue in full when received, in accordance with ASC 958-605, *Not-For-Profit Entities – Revenue Recognition*. Pledges from congregations are not included as receivables and revenue because they are conditional upon the congregations' ability and choice to fulfill the pledge.

Other contributions, including real estate from disbanded congregations, are recognized in full when received or unconditionally promised, in accordance with ASC 958-605. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in temporarily or permanently restricted net assets. Temporarily restricted net assets become unrestricted, and are reported in the *Statement of Activities* as net assets released from restrictions, when the time restrictions expire or the contributions are used for the restricted purpose. Temporarily restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted.

Cash and equivalents – The Synod considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents unless designated for long-term purposes.

Concentration of cash – The Synod maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Synod has not experienced any losses in such accounts. Management believes the Synod is not exposed to any significant credit risk related to cash.

Investments consist of mutual funds which are stated at fair market value as of January 31, 2010 and 2009. Changes in market value are recorded as investment income or loss in the statement of activities.

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2010 AND 2009**

Property from disbanded congregations is recorded at fair market value as of the date the property rights are transferred to the Synod. Subsequent changes in market value are recorded as income or loss in the statement of activities.

Property and equipment are stated at cost. Assets are depreciated using the straight-line method over the estimated useful lives of the assets. The Synod capitalizes all expenditures for property and equipment in excess of \$500.

Agency trust and deferred trust accounts – The Synod receives funds from congregations to be disbursed to various designated agencies and institutions. When the funds are received, the Synod recognizes liabilities in the agency trust or deferred trust accounts. These liability accounts are reduced when the funds are disbursed to the recipient organizations.

Recent accounting pronouncements – The Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification effective for financial statements issued for interim and annual periods ending after September 15, 2009. The ASC is an aggregation of previously issued authoritative U.S. generally accepted accounting principles (GAAP) in one comprehensive set of guidance organized by subject area. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates.

Fair value measurements – Assets and liabilities measured at fair value are recorded in accordance with ASC 820, *Fair Value Measurements and Disclosures*, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- | | |
|----------------|---|
| Level 1 Inputs | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. |
| Level 2 Inputs | Inputs other than quoted prices in active markets that are observable either directly or indirectly. |
| Level 3 Inputs | Unobservable inputs in which there is little or no market data, which require us to develop our own assumptions. |

Income Taxes – The Synod is exempt from taxation under the Internal Revenue Code Section 501(c) (3) and California Revenue and Taxation Code Section 23701(d). There are no known uncertainties regarding the Synod's ability to maintain its tax exemption. The Synod has implemented ASC 740, *Accounting for Uncertainty in Income Taxes*, and has determined there is no material impact on the financial statements.

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2010 AND 2009**

Functional expenses – The costs of providing the program services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services based on estimates of employee time incurred and usage of resources.

Use of estimates – The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events have been reviewed through the issuance date of the audit report.

Reclassifications – Certain 2009 amounts have been reclassified to conform with the 2010 financial statement presentation.

2. NET ASSETS

Temporarily restricted net assets

Temporarily restricted net assets consist of the following:

	<u>2010</u>	<u>2009</u>
Synod Outreach Fund – Stockton new start	\$ 507,799	\$ 507,799
Westlake property (Note 6)	89,300	89,300
Warner trust fund	12,458	9,987
Other	<u>23,271</u>	<u> </u>
Total temporarily restricted net assets	<u>\$ 632,828</u>	<u>\$ 607,086</u>

In 2002 the Synod received \$507,799 from the sale of Faith Lutheran Church property in Stockton. In accordance with the desire of the Stockton congregation, the proceeds were funded in the Outreach Fund for the purposes of establishing a congregation in Stockton at a future date to be determined. This balance is included temporarily restricted net assets.

Interest Income in 2010 and 2009 was \$9,471 and \$9,494, respectively, from the Warner Trust Fund.

Designated net assets

The Synod has designated a portion of unrestricted net assets as an Outreach Fund. This fund has been designated to support the outreach ministry of the Synod, including, but not limited to the establishment of new congregations, fresh starts, redeveloping of and/or strengthening of existing ministries within the Synod, and the leadership development of lay and clergy members. The primary source of funding comes from the sale of real property of disbanded congregations.

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2010 AND 2009**

In 2005, the Synod received a bequest from the estate of Bernice M. Woock. Those funds have been designated to support congregations and rostered leaders experiencing crises in their ministries. Total Woock expenses in 2010 and 2009 were \$12,210 and \$47,626, respectively, and undistributed income at January 31, 2010 and 2009 amounted to \$4,132 and \$16,342, and is included in the designated net assets balance.

Synod Outreach Fund assets consisted of the following as of January 31:

	<u>2010</u>	<u>2009</u>
Cash	\$ 267,246	\$ 283,085
Interest receivable	2,610	1,705
San Rafael note receivable (net of discount) (Note 6)	1,648,805	1,617,893
Thrivent financial for Lutherans funds – investments stated at market value	663,097	549,494
ELCA endowment fund pooled trust – investments stated at market value	612,420	488,232
Property from disbanded congregations (Note 3)	<u>4,141,710</u>	<u>3,635,653</u>
Total Synod Outreach Fund	7,335,888	6,576,062
Add: Woock fund	4,132	16,342
Less: temporarily restricted net assets – Stockton new start	<u>(507,799)</u>	<u>(507,799)</u>
Total Synod designated net assets	<u>\$ 6,832,221</u>	<u>\$ 6,084,605</u>

Permanently restricted net assets

The Synod maintains a bequest from the estate of Charles and Mabel Warner totaling \$201,723.

The endowment fund is held in an ELCA Mission Investment Fund which is not insured. Interest income from the trust (In 2010 it was 4.6% and in 2009 it was 4.8%) is used for grants to specific programs and ministries of the Synod and institutions and agencies in accordance with the provisions of the bequest. The Synod Council has established a trust committee which oversees the distribution of the income. Undistributed income at January 31, 2010 and 2009 totaled \$12,458 and \$9,987, respectively, and is included in temporarily restricted net assets.

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2010 AND 2009**

3. PROPERTY FROM DISBANDED CONGREGATIONS

The Synod holds title to real property and fixtures it receives from congregations that dissolved and were disbanded. The properties are stated at their fair market value and are designated in the Synod's Outreach Fund. They are classified within Level 2 of the fair value hierarchy because they have been valued by management using market data, including sales of comparable properties within the respective regions.

Property from disbanded congregations consists of the following:

	<u>2010</u>	<u>2009</u>
San Lorenzo property	\$ 2,252,160	\$ 2,036,328
Cupertino property	<u>1,889,550</u>	<u>1,599,325</u>
Total	<u>\$ 4,141,710</u>	<u>\$ 3,635,653</u>

Cupertino property

On April 5, 2007, as a result of the dissolution of Redeemer Lutheran Church of Cupertino (Redeemer), the Synod took title to the real property and fixtures of the disbanded congregation. The transaction was based on a November 15, 2006 agreement between Redeemer and Synod. The intent of the agreement is to develop a new ministry at the site. Title would then be transferred to an existing congregation, which would oversee the new ministry. The initial value of \$4,337,000 was based on a November 7, 2006 document from the office of the State of California Attorney General, which provided an estimated value of the land and insured values for the structures. In 2009, the Synod received a summary of comparable properties sold that was provided by an outside appraisal firm specializing in commercial properties. A formal appraisal was not conducted. Using this data, the Synod estimated the property's value at \$1,889,550, resulting in a \$290,225 gain.

San Lorenzo property

On February 21, 2008, as a result of the dissolution of Christ Evangelical Lutheran Church of San Lorenzo (Congregation), the Synod took title to the real property and fixtures of the disbanded congregation. The transaction was based on a January 11, 2008 Director's Resolution to dissolve the congregation. The intent of the agreement is to develop a new ministry at the site. Title would then be transferred to an existing congregation which would oversee the new ministry. The initial value of \$2,036,328 is based on a June 9, 2009 letter from an outside appraisal firm specializing in commercial properties, which included sales data from comparable properties in the area. A formal appraisal was not conducted. The Synod was able to determine a reasonable estimate for the property's value based on the data provided by the appraiser. In 2009, the Synod received a summary of comparable properties sold that was provided by the same appraisal firm. A formal appraisal was not conducted. Using this data, the Synod estimated the property's value at \$2,252,160, resulting in a \$215,832 gain.

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2010 AND 2009**

4. INVESTMENTS

Investments consist primarily of mutual funds invested in equity securities and fixed income funds that are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

Investments consist of the following:

	<u>2010</u>	<u>2009</u>
Fixed income investment funds	\$ 1,226,985	\$ 1,049,059
Mutual funds, invested in equity funds	338,082	253,453
Money market funds	<u>2,080</u>	<u>2,078</u>
Total	<u>\$ 1,567,147</u>	<u>\$ 1,304,590</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2010</u>	<u>2009</u>
Office and computer equipment	\$ 41,308	\$ 40,734
Automobile	29,660	29,834
Furniture and fixtures	<u>25,935</u>	<u>25,935</u>
Total	96,903	96,493
Less accumulated depreciation	<u>(56,282)</u>	<u>(58,664)</u>
Property and equipment, net	<u>\$ 40,621</u>	<u>\$ 37,829</u>

6. NOTES RECEIVABLE

Notes receivable consist of the following:

	<u>2010</u>	<u>2009</u>
San Rafael note receivable	\$ 1,648,805	\$ 1,648,805
San Rafael note receivable discount		(30,912)
Westlake note receivable	<u>217,090</u>	<u>206,396</u>
Notes receivable, net	<u>\$ 1,865,895</u>	<u>\$ 1,824,289</u>

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2010 AND 2009**

San Rafael note receivable

Upon the dissolution of Faith Evangelical Lutheran Church of San Rafael (Faith) in 2002, title to its land (2.86 acres) was transferred to the Synod. The property was subject to a previous 1999 agreement (with amendments in 2001 and 2002) between Faith and Elder Care Alliance Corporate (ECA), which is a California not-for-profit public benefit corporation affiliated with the Synod. The agreement provided that ECA would build a residential care facility for the elderly (approximately 130 rental units) on the property, while the Synod would retain title to the land. It also provided that ECA would lease the land from the Synod (\$50,086 per year) through 2036.

In order to secure financing for the residential care facilities project it was necessary that title to the land be transferred to ECA of San Rafael, which is a subordinate corporation to ECA. In accordance with the terms of a Purchase and Sales Agreement dated September 1, 2004, the Synod sold the land to ECA of San Rafael for \$1,648,805, and received a note for that amount secured by a third priority lien on the property and the project, subordinate to the first and second deeds of trust. The previous lease of the property for \$50,086 per year was terminated as of September 1, 2004.

Based on the 2004 note agreement, payments on the note were expected to begin approximately in June 2009, as payments are subject to certain conditions, including, but not limited to: the residential care facility must have been 90% occupied for an entire quarter; debt service ratio requirements must be met; the note and deed of trust could be terminated in the event of a foreclosure by the holder of the first deed of trust. The terms provide for 40 annual payments of \$106,149, including principal and interest at 5.75% per annum. Interest does not begin to accrue until the payments begin.

The sales price of \$1,648,805 and fair value of the note receivable was discounted to a present value of \$1,290,225 as of September 1, 2004. The discount of \$358,580 (\$1,648,805 less \$1,290,225) was being amortized at 5.75% over the period from September 1, 2004 to June 30, 2009 as this is the date ECA of San Rafael is expected to have met all requirements including the 90% occupancy requirement and will start making payments. During the period between 2004 and 2009 when no payments are expected, the discount will be amortized and an offset is made to record interest income as the discount will be reduced. In 2010 and 2009, total interest income was \$0 and \$30,912, respectively. As of January 31, 2010, the value of the note was amortized up to the full value of \$1,648,805.

Based on a new agreement entered in March 2010, ECA of San Rafael agreed to pay the full amount of the note receivable to the Synod. The Synod received full payment of \$1,648,805 in March 2010. As part of the agreement, the Synod pledged to donate \$775,980 to Faith Lutheran Church Charitable Trust, which is fully controlled and administered by ECA. The purpose of the trust is to aid and care for the previous members of Faith or other eligible elderly beneficiaries of the residential care facility when they become unable to afford the cost of their own care. In April 2010, the Synod paid their pledged amount to ECA.

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2010 AND 2009**

Westlake note receivable

The Westlake note receivable consists of a note executed in 1987 for \$95,000, secured by a deed of trust, plus unpaid accrued interest at 11% annually through January 31, 2010 and 2009 totaling \$127,790 and \$111,396, respectively. The note has been delinquent since 2001 when the last interest payment was received and no payments have been received since then. The principal of \$95,000 was donor restricted for specific institutions and agencies of the Synod. Accordingly, this balance is included in temporarily restricted net assets. As of January, 31, 2010 and 2009, \$5,700 has been distributed, leaving a balance of \$89,300 in temporarily restricted net assets to be distributed in the future. In February 2010, The Synod completed foreclosure proceedings on the property secured by a deed of trust and full payment was received for principal and interest.

7. LOAN PAYABLE

In August 2008, the Synod obtained a \$22,825 car loan from The Lutheran Credit Union of America. Interest accrues at a fixed rate of 7.25% per annum. The loan is payable in 72 monthly installments of \$391, maturing on July 25, 2014. Interest of \$1,435 and \$805 was paid on this loan during the years ended January 31, 2010 and 2009, respectively. The balance outstanding on the loan at January 31, 2010 and 2009 was \$18,006 and \$21,271, respectively.

8. GUARANTOR ON DEBT

The Synod is a guarantor of up to \$192,500 on certain indebtedness of Lutheran Outdoor Ministry of Northern California (Mt. Cross) payable to the Lutheran Credit Union of America.

9. OFFICE LEASE

The Synod leases office space under a lease agreement, which provides for monthly rentals of \$5,275 and terminated on October 31, 2009. The lease continued on a month to month basis after expiration. The Synod entered into a new lease agreement in April 2010 to lease office space in San Francisco. This new lease provides for monthly rentals of \$2,050 and expires in May 2011. Office rent expense was \$63,296 and \$62,683 for the years ended January 31, 2010 and 2009, respectively.

10. PENSION PLAN

The Synod sponsors a defined contribution pension plan sponsored by Lutheran organizations in which all full-time employees are eligible for the plan. The Synod makes pension plan contributions equal to 10%-12% of salaries of eligible employees. The contributions are fully vested when paid and totaled \$31,384 and \$37,692 for 2010 and 2009, respectively.

**SIERRA PACIFIC SYNOD OF THE
EVANGELICAL LUTHERAN CHURCH IN AMERICA**

**SUPPLEMENTAL SCHEDULE OF EXPENSES
YEARS ENDED JANUARY 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
INSTITUTIONS AND AGENCIES		
ELCA Mission Support	\$ 1,073,401	\$ 1,152,910
Pacific Lutheran Seminary	105,000	105,000
Lutheran Campus Ministry	80,000	80,000
California Lutheran University	6,000	6,000
Lutheran Outdoor Ministry of Norther California	6,000	6,000
Lutheran Social Services	6,000	6,000
Office of Public Policy	6,000	6,000
Region 2	5,500	5,250
Lutheran Advocacy Ministry - Nevada	<u>385</u>	<u>385</u>
Total Institution and Agencies	<u>\$ 1,288,286</u>	<u>\$ 1,367,545</u>
SYNOD'S MISSION		
Witness and Service	\$ 193,204	\$ 205,063
Synod Council	26,744	27,463
Synod Resource Centers	17,625	15,705
Leadership	5,049	11,621
Word and Sacrament	<u>9,025</u>	<u>6,800</u>
Total Synod's Mission	<u>\$ 251,647</u>	<u>\$ 266,652</u>
SYNOD ASSEMBLY AND CONFERENCES		
Synod Assembly	\$ 111,483	\$ 84,338
Professional leadership conference	<u>11,686</u>	<u>15,101</u>
Total Synod assembly and conference	<u>\$ 123,169</u>	<u>\$ 99,439</u>