

PACIFICA SYNOD OF THE EVANGELICAL  
LUTHERAN CHURCH IN AMERICA

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

JANUARY 31, 2011

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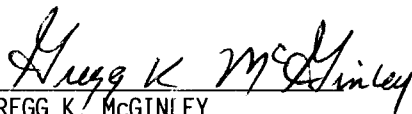
INDEPENDENT AUDITOR'S REPORT

Synod Council  
Pacifica Synod of the Evangelical  
Lutheran Church In America  
Santa Ana, California

I have audited the accompanying statement of financial position of Pacifica Synod of the Evangelical Lutheran Church In America as of January 31, 2011, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Synod's management. My responsibility is to express an opinion on these financial statements based upon my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. These standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacifica Synod of the Evangelical Lutheran Church In America as of January 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

  
GREGG K. MCGINLEY  
CERTIFIED PUBLIC ACCOUNTANT

April 10, 2011

PACIFICA SYNOD OF THE EVANGELICAL  
LUTHERAN CHURCH IN AMERICA  
STATEMENT OF FINANCIAL POSITION  
 January 31, 2011

	<u>Unrestricted</u>	<u>Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash In Checking Accounts	\$ 43,787	\$ 11,659	\$ 21,250	\$ -	\$ 76,696
Mission Plus Accounts					
New Mission Starts		279,675			279,675
Cathryn W. Wright Bequest			82,908		82,908
Mission Certificates					
Latino/Hispanic Ministries		350,000			350,000
Cathryn W. Wright Bequest			150,219		150,219
Designated Funds Term A		613,758			613,758
Temporarily Restricted Term A & B			480,305		480,305
Warner Trust Bequest				155,573	155,573
ELCA Endowment Fund Pooled Trust					
LCC Sales Proceeds Funds		611,773			611,773
Prepaid Expenses	2,691				2,691
Total Current Assets	<u>46,478</u>	<u>1,866,865</u>	<u>734,682</u>	<u>155,573</u>	<u>2,803,598</u>
<b>Fixed Assets</b>					
CFML Land and Building	3,167,169				3,167,169
Furniture, Equipment and Other	467,672				467,672
Accumulated Depreciation	(377,913)				(377,913)
Total Fixed Assets	<u>3,256,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,256,928</u>
<b>Other Assets</b>					
Loan Receivable from Property Fund	236,956				236,956
LRCC Funds Loan Rec From Property Fund		650,000			650,000
Loans Receivable from Operating Fund		235,316	39,217		274,533
Total Other Assets	<u>236,956</u>	<u>885,316</u>	<u>39,217</u>	<u>-</u>	<u>1,161,489</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,540,362</u>	<u>\$ 2,752,181</u>	<u>\$ 773,899</u>	<u>\$ 155,573</u>	<u>\$ 7,222,015</u>
<b>LIABILITIES</b>					
Accrued Expenses	\$ 3,654	\$ -	\$ -	\$ -	\$ 3,654
Prop Fund Loan Payable to Operating	236,956				236,956
Prop Fund Loan Payable to LCC Funds	650,000				650,000
Operating Fund Loan Payable to LCC Funds	141,389				141,389
Loans Payable to Designated Funds	93,927				93,927
Loans Payable to Temp Restricted Funds	39,217				39,217
<b>TOTAL LIABILITIES</b>	<u>1,165,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,165,143</u>
<b>NET ASSETS</b>	2,375,219	2,752,181	773,899	155,573	6,056,872
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,540,362</u>	<u>\$ 2,752,181</u>	<u>\$ 773,899</u>	<u>\$ 155,573</u>	<u>\$ 7,222,015</u>

The accompanying notes are an integral part of these statements

PACIFICA SYNOD OF THE EVANGELICAL  
LUTHERAN CHURCH IN AMERICA  
STATEMENT OF ACTIVITIES  
Year Ended January 31, 2011

	Unrestricted	Designated	Temporarily Restricted	Permanently Restricted	Total
<u>SUPPORT AND REVENUE</u>					
Mission Support	\$ 1,471,752	\$ -	\$ -	\$ -	\$ 1,471,752
Designated Donor Contributions	458,445				458,445
Grants			124,000		124,000
Contributions	11,933	3,600	49,466		64,999
Registration Fees			30,710		30,710
Interest Income	2,959	39,735	19,613	4,232	66,539
Dividend Income		24,268			24,268
Unrealized Gain on ELCA Endowment Fund		67,589			67,589
EOCM DEM Staff Support	89,050				89,050
Other Income	2,206				2,206
Total Support and Revenue	<u>2,036,345</u>	<u>135,192</u>	<u>223,789</u>	<u>4,232</u>	<u>2,399,558</u>
<u>EXPENSES</u>					
Financial Support to ELCA	765,311				765,311
Financial Support/Desg. Org.	458,445				458,445
Support to Institutions/Agencies	119,732	44,204	79,622		243,558
Salaries	425,501				425,501
Payroll Taxes	13,335				13,335
Pension Plan	103,487				103,487
Worker's Compensation	2,569				2,569
Continuing Education	(1,183)	5,227			4,044
Professional Expenses	1,118				1,118
Travel	34,666				34,666
Shipping and Postage	3,804				3,804
Supplies and Materials	6,712				6,712
Contract Services	16,602				16,602
Professional Fees	26,097				26,097
Hospitality	2,886				2,886
Insurance	9,149				9,149
Office Expense	2,779				2,779
Equipment Maintenance and Lease	6,981				6,981
Occupancy and Utilities	35,977				35,977
Interest	6,914				6,914
Depreciation	127,833				127,833
Ministry Teams	28,079				28,079
Irvine Chinese Ministry		43,653			43,653
Thai Christian Fellowship		21,232			21,232
Pan Asian Ministry		13,739			13,739
San Lucas, Fullerton Administration		42,175			42,175
Church of Dream Builders		833			833
Central City Lutheran			45,000		45,000
PALLMM Expenses			19,296		19,296
Other Program Expenses			21,118		21,118
Conference and Workshop Expenses		(27,747)	29,798		2,051
Total Expenses	<u>2,196,794</u>	<u>143,316</u>	<u>194,834</u>	<u>-</u>	<u>2,534,944</u>
Transfer of Warner Interest Income			4,232	(4,232)	
Transfer from Synodical Admin Fund	6,914	(6,914)			
INCREASE (DECREASE) IN NET ASSETS	<u>(153,535)</u>	<u>(15,038)</u>	<u>33,187</u>	<u>-</u>	<u>(135,386)</u>
NET ASSETS, beginning of year	2,528,754	2,767,219	740,712	155,573	6,192,258
NET ASSETS, end of year	<u>\$ 2,375,219</u>	<u>\$ 2,752,181</u>	<u>\$ 773,899</u>	<u>\$ 155,573</u>	<u>\$ 6,056,872</u>

The accompanying notes are an integral part of these statements

PACIFICA SYNOD OF THE EVANGELICAL  
LUTHERAN CHURCH IN AMERICA  
STATEMENT OF CASH FLOWS  
Year Ended January 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

(Decrease) in Net Assets		\$	(135,386)
Adjustments to reconcile decrease in Net Assets to Net Cash (used) by operating activities:			
Depreciation	\$	127,833	
(Increase) Decrease in ELCA Endowment Fund		(91,856)	
(Increase) Decrease in Prepaid Expense		3,832	
Increase (Decrease) in Accounts Payable		(77)	
Total Adjustments			<u>39,732</u>
Net Cash (Used) by Operating Activities			(95,654)

CASH FLOWS FROM INVESTING ACTIVITIES:

(Increase) Decrease in LCU Certificate Account		190,105	
(Increase) Decrease in Mission Certificates		(804,045)	
Capital Expenditures:			
Furniture and Equipment Purchases		(1,537)	
Net Cash (Used) in Investing Activities			<u>(615,477)</u>

INCREASE (DECREASE) IN CASH			(711,131)
CASH AND CASH EQUIVALENTS - Beginning of year			<u>1,150,410</u>
CASH AND CASH EQUIVALENTS - End of year		\$	<u><u>439,279</u></u>

PACIFICA SYNOD OF THE EVANGELICAL  
LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS  
January 31, 2011

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Pacifica Synod of the Evangelical Lutheran Church in America (Synod) was incorporated as a not-for-profit organization in July 1986. The Synod is affiliated with the Evangelical Lutheran Church in America (ELCA) and is responsible for the oversight and the life and mission of the ELCA in the counties of Imperial, Orange, Riverside, San Bernardino, and San Diego in the state of California, and in the state of Hawaii.

Significant Accounting Policies

Accrual Basis Financial Statements

The financial statements of the Synod have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Synod is included in a group ruling issued by IRS to the ELCA and therefore is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Net Assets

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Accordingly, the net assets of the Synod and changes therein are classified and reported as follows:

Unrestricted net assets include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the Synod to utilize funds in furtherance of its mission.

Designated funds are those which Synod Council, rather than the donor, has determined are to be retained for specific purposes. Synod Council has the right to decide at any time to spend the principal of these funds. Since the restrictions are not donor-imposed, designated funds are classified as a portion of unrestricted net assets.

Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because certain actions are taken by the Synod which fulfill the restrictions or because of the passage of time.

Permanently restricted net assets are those that are subject to donor-imposed restrictions which never lapse, thus requiring that the funds be permanently retained. The donors of these funds permit the Synod to use all or part of the income earned on related investments for designated purposes.

PACIFICA SYNOD OF THE EVANGELICAL  
LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS  
January 31, 2011

Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months.

Investments and Credit Risks

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. The Synod holds Mission Plus accounts and Mission Term Certificates with the Mission Investment Fund of the ELCA. As shown in the statement of financial position, as of January 31, 2011, the Synod holds Mission Plus accounts of \$362,583 and Mission Certificates of \$1,749,855. The Mission Plus and Mission Certificates are not protected by FDIC.

Disclosures About Fair Value of Assets and Liabilities

The Synod has adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 defines fair value, establishes a framework of measuring fair value, and expands disclosures about fair value measurements.

FAS 157 defines fair value as the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 also establishes a fair value hierarchy, which requires the Synod to maximize the use of observable inputs and minimize the use of unobservable inputs, when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1

Quoted prices in active markets for identical assets or liabilities.

Level 2

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Cash and Cash Equivalents --- The carrying amount approximates fair value.

Investments --- Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include investments in mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows (Level 2).

PACIFICA SYNOD OF THE EVANGELICAL  
LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS  
January 31, 2011

Significant Accounting Policies (Continued)

Disclosures About Fair Value of Assets and Liabilities (Continued)

In certain cases where Level 1 and Level 2 inputs are not available, investments are classified within Level 3 hierarchy. The Synod does not have any investments classified within Level 3 of the hierarchy.

	Fair Value	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Term Certificates	\$1,749,855	\$ -	\$1,749,855	\$ -
ELCA Endowment Fund	611,773	611,773	-	-
	<u>\$2,361,628</u>	<u>\$ 611,773</u>	<u>\$1,749,855</u>	<u>\$ -</u>

NOTE B - UNRESTRICTED NET ASSETS - FUNDS

Unrestricted net assets consist of the following as of January 31, 2011 and 2010:

	<u>January 31, 2011</u>	<u>January 31, 2010</u>
Operating Fund	\$ 5,247	\$ 32,486
Property Fund	2,369,972	2,496,268
Total	<u>\$2,375,219</u>	<u>\$2,528,754</u>

NOTE C - DESIGNATED FUNDS NET ASSETS - FUNDS

Designated funds net assets consist of the following as of January 31, 2011 and 2010:

	<u>January 31, 2011</u>	<u>January 31, 2010</u>
Assembly Fund Carryover	\$ 39,654	\$ 35,107
Multi Synodical Candidacy Carryover	13,681	( 9,598)
Continuing Education - Synod Clergy and Staff	9,069	13,996
Assistant to the Bishop Moving Expense Reserve	10,000	10,000
Sabbatical Support Reserve	6,000	6,000
Latino/Hispanic Ministry	371,263	377,709
REAP Interest	24,629	24,115
LCC Sales Proceeds Funds		
New Mission Starts	765,661	742,944
Ethic Ministries	103,590	167,753
Transformational/Redevelopment	250,694	247,830
Synodical Administration	226,677	272,344
Outreach	13,506	7,942
New Mission Development Endowment Fund	917,757	871,077
Total	<u>\$2,752,181</u>	<u>\$2,767,219</u>

PACIFICA SYNOD OF THE EVANGELICAL  
 LUTHERAN CHURCH IN AMERICA  
 NOTES TO FINANCIAL STATEMENTS  
 January 31, 2011

NOTE D - TEMPORARILY RESTRICTED ASSETS - FUNDS

Temporarily restricted funds net assets consist of the following as of January 31, 2011 and 2010:

	<u>January 31, 2011</u>	<u>January 31, 2010</u>
First Call Theological Education	\$ 18,285	\$ 16,233
Synod Mission Congregations	(14,724)	( 4,724)
Pacifica Local Youth Events	-	903
Bridgebuilders Training	59	59
Transformational/Healthy Congregations	6,185	6,773
Professional Leader's Conference	( 4,164)	-
FHFO - Misc Pending	4,458	4,458
Pre Retirement Seminar	1,274	1,274
Mission Partners	384	384
Companion Synod Program	10,004	9,741
LYO - Lutheran Youth Gathering	1,357	-
Intentional Interim Ministry Scholarship	204	204
Open Hearts/Open Hands	4,216	4,216
Financial Workshops	1,197	1,197
R.L. Miller Scholarship Fund	16,088	15,773
Center for Mission & Learning	685	685
Oxford Back/Psych Eval	( 4,776)	( 3,931)
South OC Mission Start	29,149	29,149
ELCA Evangelism Grant	( 1,000)	(1,000)
New Mission Endowment Fund	25,299	24,999
Endowment Training Grant	6,357	6,357
Professional Ethics & Boundaries Workshop	1,375	990
ELCA Hunger Grant	729	1,029
Bishop's Discretionary Fund	3,414	2,538
Communicator's Conference 2004	160	710
Iglesia Camino de Cristo, Indio	8,365	8,365
Safeguarding God's Children Workshop	368	368
4S Ranch Mission Start, SD	550	550
Emergency	1,700	1,700
Grant Writing Conference	8,230	8,230
Raincross Mission Commitment	1,300	1,300
Asia Trip	( 1,099)	( 1,099)
Christian Education Multicultural	540	840
Pacifica Synod Health Fund	( 898)	( 898)
4S Ranch General	5,141	5,141
4S Ranch Makumira Scholarship	4	4
Oromo Ethiopian SAWC	2,310	2,310
Thai Christian Fellowship	3,010	3,010
B2B2B Fund	16,443	15,435
B2B2B Ethiopia Tithe	554	442
Cherish our Children	-	125
Augsburg Fortress	150	150
Funds Held for Others Reserve	2,017	2,017
Multicultural Ministry Admin	9,410	10,410
Book of Faith	3,053	3,053

PACIFICA SYNOD OF THE EVANGELICAL  
LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS  
January 31, 2011

NOTE D - TEMPORARILY RESTRICTED ASSETS - FUNDS (Continued)

	<u>January 31, 2011</u>	<u>January 31, 2010</u>
NALIP - Interim Ministry	( 5)	2,510
CCLM Partnership Grant	1,202	-
Director of Evangelical Mission	29,516	-
Assembly Offering	5,101	-
Coaching Ministry	8,732	-
Warner Trust Interest Income	4,239	3,907
Cathryn W. Wright Bequest	557,751	554,825
Total Temporarily Restricted Assets	<u>\$ 773,899</u>	<u>\$740,712</u>

NOTE E - PERMANENTLY RESTRICTED NET ASSETS - FUND and ASSETS

WARNER TRUST FUND

Permanently restricted net assets represent the principal balance of the Warner Trust Fund. On October 31, 1990 and May 24, 1994, Pacifica Synod received a bequest of \$155,573 from the estate of Charles and Mabel Warner. In accordance with the provisions of the bequest, Synod Council placed the corpus of the trust in a Mission Certificate Account, and income from the trust is used to fund grants to specific programs and ministries of the Synod, and institutions and agencies affiliated with the Evangelical Lutheran Church in America.

NOTE F - UNRESTRICTED NET ASSETS - PROPERTY FUND

The Property Fund consisted of the following as of January 31, 2011 and 2010:

	<u>January 31, 2011</u>	<u>January 31, 2010</u>
<u>Assets</u>		
Automobile	\$ 44,614	\$ 44,614
Furniture and Fixtures	3,895	3,895
Office Equipment	11,912	11,912
Center for Mission and Learning		
Land	1,236,905	1,236,905
Building	1,930,264	1,930,264
Furniture	182,181	182,181
Equipment	191,208	189,671
Appliances	9,261	9,261
Liturgical Items	12,680	12,680
Piano	11,921	11,921
	3,634,841	3,633,304
Less: Accumulated Depreciation	( 377,913)	( 250,080)
Total Assets	<u>\$3,256,928</u>	<u>\$3,383,224</u>
<u>Liabilities</u>		
Loan payable to LCC Funds	\$ 650,000	\$ 650,000
Loan payable to Operating Fund	236,956	236,956
Total Liabilities	<u>\$ 886,956</u>	<u>\$ 886,956</u>
Fund Balance	<u>\$2,369,972</u>	<u>\$2,496,268</u>

PACIFICA SYNOD OF THE EVANGELICAL  
 LUTHERAN CHURCH IN AMERICA  
 NOTES TO FINANCIAL STATEMENTS  
 January 31, 2011

NOTE F - UNRESTRICTED NET ASSETS - PROPERTY FUND (Continued)

In April 2009, the Synod moved its executive offices to the Center for Mission and Learning ("CFML"). The purchase and remodeling of the Center was funded by contributions, interest earned, and borrowings from the Lutheran Church of the Cross Funds (\$650,000) and the Synod Operating Fund (\$236,956).

NOTE G - DESIGNATED FUNDS - ASSETS

LATINO/HISPANIC MINISTRY FUND

In 1991, St. Mary Lutheran Church, San Diego was closed and sold. In 1993 the property of United Lutheran Church, Santa Ana was sold. The proceeds of these sales were turned over to Pacifica Synod. Through January 31, 2005, the sales proceeds of these churches were managed in two separate funds, the St. Mary's San Diego Hispanic Ministry Fund, and the Santa Ana Hispanic Ministry Fund. The March 2005 Council voted to merge the two funds to serve Latino/Hispanic Ministries throughout the Pacifica Synod area. The following summarizes the activity in the fund during the year:

Fund Balance, January 31, 2010	\$ 377,709
Interest income	14,556
Grants paid	<u>( 21,002)</u>
Fund Balance, January 31, 2011	<u>\$ 371,263</u>

LUTHERAN CHURCH OF THE CROSS, RIVERSIDE - SALES PROCEEDS

Lutheran Church of the Cross, Riverside closed in 2003, and the church property was sold in April 2006. Pursuant to a plan adopted at the March 2006 Synod Council meeting, the proceeds of sale, net of the prior deficit incurred in maintaining the property, were placed in designated funds for various specified purposes.

The following summarizes the balances of the funds and how they were invested at January 31, 2011 and 2010:

	<u>January 31, 2011</u>	<u>January 31, 2010</u>
<u>Assets</u>		
ELCA Endowment Pooled Trust	\$ 611,773	\$ 519,917
Loan to Property Fund (CFML)	650,000	650,000
MIF Certificates	504,321	292,779
Mission Plus Accounts	279,675	810,251
Loan to Operating Fund	<u>235,316</u>	<u>36,924</u>
Total Assets	<u>\$2,281,085</u>	<u>\$2,309,891</u>
<u>Fund Balances</u>		
New Mission Starts	\$ 765,661	\$ 742,944
Ethic Ministries	103,590	167,754
Transformational/Redevelopment	250,694	247,830
Synodical Administration	229,877	272,344
Outreach	13,506	7,942
New Mission Development Endowment Fund	<u>917,757</u>	<u>871,077</u>
Total	<u>\$2,281,085</u>	<u>\$2,309,891</u>

PACIFICA SYNOD OF THE EVANGELICAL  
LUTHERAN CHURCH IN AMERICA  
NOTES TO FINANCIAL STATEMENTS  
 January 31, 2011

NOTE H - TEMPORARILY RESTRICTED ASSETS

CATHRYN W. WRIGHT BEQUEST

In 2002 the Synod received a bequest from Cathryn W. Wright in the amount of \$590,000. Additional amounts which total \$45,755 have been subsequently contributed. Consistent with Mrs. Wright's direction that the bequest be used for caring lay ministries, the Synod Council has committed the funds to the Preparing Lay Leaders for Mission and Ministry program ("PALLMM"). The following summarizes the activity in the fund during the year:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fund Balance, January 31, 2010	\$ 561,180	\$( 6,355)	\$ 554,825
Interest income		19,297	19,297
Transfer to Coaching Ministry		( 2,500)	( 2,500)
San Lucas Funding		( 6,000)	( 6,000)
PALLMM Program expenses, net		( 7,871)	( 7,871)
Fund Balance, January 31, 2011	<u>\$ 561,180</u>	<u>\$( 3,429)</u>	<u>\$ 557,751</u>

NOTE I - BORROWINGS BETWEEN OPERATING FUND, DESIGNATED FUNDS, AND TEMPORARILY RESTRICTED FUNDS

On February 28, 2007, a Mission Investment Fund Certificate account of the Cathryn Wright Bequest temporarily restricted fund matured. The maturity amount of \$140,709 was deposited to the Synod checking account. The funds were commingled with other operating funds, and were not reinvested. As of January 31, 2010, the statement of financial position reported a loan from the temporarily restricted funds to the operating fund in the amount of \$141,389. This amount represented the original maturity amount of the Cathryn Wright Mission Certificate, plus an allocation of interest earned on the funds while held in the Synod checking account.

In August 2010, Executive Synod Committee approved withdrawal of \$6,913.94 from the LCC Synodical Administration designated fund in order to pay that amount to the Cathryn Wright Interest Fund as interest on the inadvertent loan. In September 2010 the transfer from the LCC Synodical Administration designated fund was made, interest of \$6,913.94 was paid to the Cathryn Wright Interest Fund, and the loan balance of \$141,389 was repaid. In order to repay the loan, the Operating Fund borrowed \$141,389 from the LCC designated funds.

In addition, the Operating Fund has borrowed funds from designated funds and temporarily restricted funds for operations. As of January 31, 2011 the borrowings were \$93,927 from designated funds and \$39,217 from temporarily restricted funds.

NOTE J - COMMITMENTS AND CONTINGENCIES

In July 2007, Pacifica Synod entered into a 60 month lease for a Konica Minolta digital photocopy/fax machine. The 60 month lease runs through July 2012. Monthly payments are \$279. Payments on the lease which total \$3,348 were expensed in the year ended January 31, 2011. As of January 31, 2011 the outstanding lease obligation of this lease is \$5,022.