



**GULF STATES CONFERENCE
OF SEVENTH-DAY ADVENTISTS**

AND

**GULF STATES CONFERENCE ASSOCIATION
OF SEVENTH-DAY ADVENTISTS, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2020, 2019, 2018, 2017, and 2016

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To the Constituents
Gulf States Conference of Seventh-day Adventists and
Gulf States Conference Association of Seventh-day Adventists, Inc.
Montgomery, Alabama

We have audited the accompanying combined unconsolidated financial statements of Gulf States Conference of Seventh-day Adventists and Gulf States Conference Association of Seventh-day Adventists, Inc. (Organizations), which comprise the combined unconsolidated statements of financial position as of December 31, 2020, 2019, 2018, 2017, and 2016, and the related combined unconsolidated statements of changes in net assets and statements of cash flows for the years 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 combined unconsolidated financial statements in accordance with United States of America accounting principles generally accepted by the Seventh-day Adventist denomination. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined unconsolidated 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 combined unconsolidated financial statements based on our audits. We conducted our audits in accordance with United States of America auditing standards generally accepted by the Seventh-day Adventist denomination. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined unconsolidated 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 combined unconsolidated 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 combined unconsolidated financial statements.

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

Basis for Qualified Opinion on the Financial Statements for 2020 and 2019

Due to inadequacies in the accounting records of the Plant Fund for construction in progress for 2020 and 2019, we were unable to obtain sufficient appropriate audit evidence on accounts relating to plant assets.

Qualified Opinion on the Financial Statements for 2020 and 2019

In our opinion, as internal auditors of the General Conference of Seventh-day Adventists, except for the possible effects on the 2020 and 2019 combined unconsolidated financial statements of the matter discussed in the Basis for Qualified Opinion paragraph, the combined unconsolidated financial statements referred to above present fairly, in all material respects, the financial position of Gulf States Conference of Seventh-day Adventists and Gulf States Association of Seventh-day Adventists, Inc. as of December 31, 2020, 2019, 2018, 2017, and 2016, and the combined unconsolidated changes in their net assets and their combined unconsolidated cash flows for the years then ended in conformity with United States of America accounting principles generally accepted by the Seventh-day Adventist denomination.

Emphasis of Matter

We draw attention to Note 19 to the financial statements, which describes the basis of special presentation. The accompanying combined unconsolidated financial statements were prepared to present the parent Organizations, not consolidating the accounts and activity of a related entity. Accordingly, these combined unconsolidated financial statements are not intended to be a complete presentation of the Organizations' assets, liabilities, revenues, and expenses. Our opinion is not modified with respect to this matter.

Other Matter

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

General Conference Auditing Service

August 9, 2021

**GULF STATES CONFERENCE OF SEVENTH-DAY ADVENTISTS,
GULF STATES CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS, INC.
Combined Unconsolidated Statements of Financial Position; Page 1 of 2
December 31, 2020, 2019, 2018, 2017, and 2016**

ASSETS	2020	2019	2018	2017	2016
	Total	Total	Total	Total	Total
<u>Current assets</u>					
Cash and cash equivalents (Note 2)	\$ 5,107,861	2,364,419	1,637,848	3,030,439	2,755,666
Accounts receivable, net (Note 4)	1,487,034	1,761,249	1,805,412	1,439,548	1,498,756
Notes and loans receivable (Note 5)	3,411,639	3,901,309	4,214,997	2,913,767	2,805,590
Inventories and prepaid expenses (Note 6)	213,219	172,119	234,364	228,904	147,940
Other current assets	6,100	6,100	36,425	36,425	-
Cash held for agency (Note 2)	49,900	55,900	55,900	55,900	55,900
Total current assets	10,275,753	8,261,096	7,984,946	7,704,983	7,263,852
<u>Land, buildings, and equipment, net (Note 7)</u>					
For use by conference, net	3,833,102	3,722,063	3,438,808	3,377,827	3,444,814
For use by local church & schools, net	20,455,511	20,249,856	20,531,956	20,473,002	20,527,784
Total land, buildings, and equipment, net	24,288,613	23,971,919	23,970,764	23,850,829	23,972,598
<u>Other assets</u>					
Deposits	-	-	-	-	33,800
Real estate investments	12,710	12,710	181,173	62,710	62,710
For other than operating funds:					
Cash and investments (Note 3)	4,326,295	3,642,601	2,084,777	1,858,880	1,341,420
Notes and loans receivable (Note 8)	452,268	384,577	618,542	568,427	637,206
Other asset	18,563	24,438	-	-	-
Held for split-interest agreements:					
Cash and investments (Note 3)	190,279	214,691	211,817	226,801	225,895
Receivables (Note 17)	49,323	51,673	55,102	45,803	47,927
Total other assets	5,049,438	4,330,690	3,151,411	2,762,621	2,348,958
Total assets	\$ 39,613,804	36,563,705	35,107,121	34,318,433	33,585,408

See accompanying notes.

**GULF STATES CONFERENCE OF SEVENTH-DAY ADVENTISTS,
GULF STATES CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS, INC.
Combined Unconsolidated Statements of Financial Position; Page 2 of 2
December 31, 2020, 2019, 2018, 2017, and 2016**

LIABILITIES	2020	2019	2018	2017	2016
<u>Current liabilities</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Accounts payable (Note 9)	\$ 1,408,773	1,025,431	1,066,225	977,703	912,945
Agency funds	49,900	55,900	55,900	55,900	55,900
Deferred revenues	22,000	22,747	436	-	-
Notes payable - current (Note 10)	1,276,800	-	-	-	-
Total current liabilities	<u>2,757,473</u>	<u>1,104,078</u>	<u>1,122,561</u>	<u>1,033,603</u>	<u>968,845</u>
 <u>Other liabilities</u>					
Trust funds	11,200	11,135	11,200	11,200	11,200
Long term retirement allowance accrual For other than operating funds:	122,134	147,146	139,166	115,447	125,040
Deferred revenues	18,563	17,672	-	437	-
Liability for annuity agreements (Note 11)	125,688	144,983	149,382	153,677	145,872
Total other liabilities	<u>277,585</u>	<u>320,936</u>	<u>299,748</u>	<u>280,761</u>	<u>282,112</u>
Total liabilities	<u>3,035,058</u>	<u>1,425,014</u>	<u>1,422,309</u>	<u>1,314,364</u>	<u>1,250,957</u>
 NET ASSETS					
Unrestricted: unallocated	4,515,418	4,778,505	5,180,330	5,009,242	3,021,159
Unrestricted: allocated	2,882,343	2,138,687	896,806	908,012	3,007,316
Unrestricted: allocated capital	1,544,286	1,439,797	1,460,758	1,119,355	865,035
Unrestricted: net invested in plant	24,288,613	23,971,919	23,694,811	23,836,117	23,809,631
Total net assets without donor restrictions	<u>33,230,660</u>	<u>32,328,908</u>	<u>31,232,705</u>	<u>30,872,726</u>	<u>30,703,141</u>
Temporarily restricted net assets (Note 12)	2,909,327	2,371,024	2,013,348	1,692,584	1,192,551
Permanently restricted net assets (Note 12)	438,759	438,759	438,759	438,759	438,759
Total net assets	<u>36,578,746</u>	<u>35,138,691</u>	<u>33,684,812</u>	<u>33,004,069</u>	<u>32,334,451</u>
Total liabilities and net assets	<u>\$ 39,613,804</u>	<u>36,563,705</u>	<u>35,107,121</u>	<u>34,318,433</u>	<u>33,585,408</u>

See accompanying notes.

**GULF STATES CONFERENCE OF SEVENTH-DAY ADVENTISTS,
GULF STATES CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS, INC.
Combined Unconsolidated Statements of Changes in Net Assets; Page 1 of 3
December 31, 2020, 2019, 2018, 2017, and 2016**

	2020 Total	2019 Total	2018 Total	2017 Total	2016 Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
<u>Revenues and support without donor restrictions</u>					
Gross tithe income	\$ 12,020,199	11,259,861	11,217,476	10,528,513	10,541,598
Tithe percentage passed on	(2,946,535)	(2,752,688)	(2,788,940)	(2,631,882)	(2,693,855)
Net tithe income	9,073,664	8,507,173	8,428,536	7,896,631	7,847,743
Subsidies	267,097	211,337	159,214	101,027	14,508
Offerings and donations	3,390	32,648	11,998	2,052	17,471
Investment earnings	62,217	92,543	105,936	52,450	49,253
Actuarial adjustment unrestricted agreements	-	-	-	-	4,444
Church schools salaries share	3,469,466	3,223,809	3,377,331	3,490,497	3,523,209
Departmental fees and sales	639,194	517,145	846,511	300,632	286,808
Adventist Book Center (Note 23)	-	-	-	107,916	90,445
Residence rent income	25,684	118,907	69,862	49,928	57,722
Other income	339,842	399,393	521,212	370,023	437,648
Total revenues without donor restrictions	13,880,554	13,102,955	13,520,600	12,371,156	12,329,251
Released from net assets with donor restrictions (Note 12)	1,168,191	1,038,841	948,116	957,753	1,277,926
Total revenues and support without donor restrictions	\$ 15,048,745	14,141,796	14,468,716	13,328,909	13,607,177

See accompanying notes.

**GULF STATES CONFERENCE OF SEVENTH-DAY ADVENTISTS,
GULF STATES CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS, INC.
Combined Unconsolidated Statements of Changes in Net Assets; Page 2 of 3
For the years ended December 31, 2020, 2019, 2018, 2017, and 2016**

<u>Expenses and losses</u>	2020	2019	2018	2017	2016
<u>Program service functions</u>	Total	Total	Total	Total	Total
Church ministries (Note 14)	\$ 5,230,849	5,236,552	5,728,469	5,289,336	5,474,409
Educational (Note 14)	6,354,990	5,460,808	5,435,091	5,132,382	4,696,084
Publishing (Note 14)	230,371	186,177	708,244	399,788	266,180
Health and humanitarian (Note 14)	121,082	24,414	27,797	11,215	-
Other program services (Note 14)	335,345	241,457	250,931	266,673	267,193
Adventist Book Center (Note 23)	-	-	-	151,364	148,647
Total program services function (Note 14)	<u>12,272,637</u>	<u>11,149,408</u>	<u>12,150,532</u>	<u>11,250,758</u>	<u>10,852,513</u>
<u>Supporting services function</u>					
Administration - office resources (Note 14)	938,168	1,009,263	883,887	957,883	862,607
Other supporting services (Note 14)	1,920,774	1,659,234	1,234,862	1,136,249	48,269
Conventions and meetings	-	-	-	351	1,256,990
Total supporting services function (Note 14)	<u>2,858,942</u>	<u>2,668,497</u>	<u>2,118,749</u>	<u>2,094,483</u>	<u>2,167,866</u>
Total expenses and losses	<u>15,131,579</u>	<u>13,817,905</u>	<u>14,269,281</u>	<u>13,345,241</u>	<u>13,020,379</u>
Net increase (decrease) from operations	<u>(82,834)</u>	<u>323,891</u>	<u>199,435</u>	<u>(16,332)</u>	<u>586,798</u>
 NONOPERATING ACTIVITY WITHOUT DONOR RESTRICTIONS					
<u>Nonoperating activity</u>					
Nonoperating revenue (Note 15)	1,721,568	1,485,056	922,491	763,196	793,937
Nonoperating expense (Note 15)	(809,638)	(1,021,684)	(777,338)	(691,781)	(728,374)
Net gain (loss) on sale of assets (Note 15)	85,601	343,470	10,724	140,159	-
Required payments to annuitants (Note 11, 15)	(12,945)	(15,665)	(15,665)	(15,665)	(15,665)
Endowment distributions (Note 15)	(386)	(441)	(15,295)	(21,281)	(5,407)
Released from restrictions (Note 12)	386	12,225	42,786	11,289	3,386
Net increase (decrease) from nonoperating activity	<u>984,586</u>	<u>802,961</u>	<u>167,703</u>	<u>185,917</u>	<u>47,877</u>
 <u>Discontinued operation</u>					
Adventist Book Center revenue	-	-	94,403	-	-
Adventist Book Center expense	-	-	(101,562)	-	-
Discontinued operation	-	-	(7,159)	-	-
Increase (decrease) net assets without donor restrictions	<u>\$ 901,752</u>	<u>1,126,852</u>	<u>359,979</u>	<u>169,585</u>	<u>634,675</u>

See accompanying notes.

**GULF STATES CONFERENCE OF SEVENTH-DAY ADVENTISTS,
GULF STATES CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS, INC.
Combined Unconsolidated Statements of Changes in Net Assets; Page 3 of 3
For the years ended December 31, 2020, 2019, 2018, 2017, and 2016**

	2020	2019	2018	2017	2016
	Total	Total	Total	Total	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
Increase (decrease) net assets without donor restrictions	\$ 901,752	1,126,852	359,979	169,585	634,675
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS					
Changes in net assets with temporary donor restrictions					
<u>Income with temporary donor restrictions</u>					
Subsidies	913,426	843,458	776,012	834,207	898,465
Offerings	779,813	428,992	511,804	627,864	572,695
Donations	10,378	16,083	13,636	204	1,143
Other	1,451	90,000	-	-	-
Quasi-endowment income	-	521	-	8,256	6,565
Endowment income	4,162	2,468	915	667	853
Irrevocable trusts	(2,350)	(3,429)	9,299	(2,123)	(15,020)
Total income with temporary donor restrictions received (Note 12)	1,706,880	1,378,093	1,311,666	1,469,075	1,464,701
Net assets released from restrictions (Note 12)	(1,168,577)	(1,051,066)	(990,902)	(969,042)	(1,281,312)
Increase (decrease) net assets with temporary donor restrictions	538,303	327,027	320,764	500,033	183,389
Increase (decrease) in net assets	1,440,055	1,453,879	680,743	669,618	818,064
Net assets, beginning, previously stated	35,138,691	33,684,812	33,004,069	32,334,451	31,431,387
Prior period adjustment (Note 26)	-	-	-	-	85,000
Adjusted net assets, beginning of year	35,138,691	33,684,812	33,004,069	32,334,451	31,516,387
Net assets, end of year	<u>\$36,578,746</u>	<u>35,138,691</u>	<u>33,684,812</u>	<u>33,004,069</u>	<u>32,334,451</u>

See accompanying notes.

**GULF STATES CONFERENCE OF SEVENTH-DAY ADVENTISTS,
GULF STATES CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS, INC.
Combined Unconsolidated Statements of Cash Flows; Page 1 of 2
For the years ended December 31, 2020, 2019, 2018, 2017, and 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	2020	2019	2018	2017	2016
	Total	Total	Total	Total	Total
Increase (decrease) in net assets	\$ 1,440,055	1,453,879	680,743	669,618	818,064
Prior period adjustment	-	-	-	-	85,000
Adjustments to eliminate non-cash items:					
Provision for uncollectable accounts receivable	(168,029)	(8,096)	236,497	136,112	(229,545)
Depreciation expense (Note 7)	826,788	804,132	812,592	801,015	846,685
(Gain) loss on plant assets sold	81,795	-	32,500	-	-
Donations of property used by affiliated entities	(896,274)	(432,019)	(401,772)	(567,699)	(726,185)
(Increase) decrease irrevocable trusts	26,762	555	5,685	(32,656)	102,444
(Increase) decrease other assets	5,875	(24,438)	-	-	-
(Increase) decrease cash held for agency	6,000	-	-	-	(6,000)
(Increase) decrease accounts receivable	442,244	52,259	(590,636)	(115,857)	681,101
(Increase) decrease inventories & prepaid expenses	(41,100)	62,245	(5,460)	(73,484)	106,893
(Increase) decrease deposits	-	30,325	-	(2,625)	1,125
(Increase) decrease real estate investments	-	168,463	(118,463)	-	(50,000)
Increase (decrease) accounts payable	383,342	(41,231)	14,803	104,148	(214,619)
Increase (decrease) deferred income	144	40,419	-	-	-
Increase (decrease) trust funds	(5,935)	(65)	-	-	(76,606)
Increase (decrease) retirement allowance accrual	(25,012)	7,980	23,719	(9,593)	6,569
Net cash provided (used) from operating	<u>\$ 2,076,655</u>	<u>2,114,408</u>	<u>690,208</u>	<u>908,979</u>	<u>1,344,926</u>

See accompanying notes.

**GULF STATES CONFERENCE OF SEVENTH-DAY ADVENTISTS,
GULF STATES CONFERENCE ASSOCIATION OF SEVENTH-DAY ADVENTISTS, INC.
Combined Unconsolidated Statements of Cash Flows; Page 2 of 2
For the years ended December 31, 2020, 2019, 2018, 2017, and 2016**

	2020	2019	2018	2017	2016
	Total	Total	Total	Total	Total
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from maturity of investments	\$ 31,812	(84,213)	(310,920)	(367,973)	(546,077)
Proceeds from sale of plant assets	-	67,645	(32,500)	44,502	-
Purchases of investments	(715,507)	(1,473,612)	92,503	(123,093)	392,479
Purchases of plant assets	(329,002)	(440,912)	(476,242)	(156,050)	(59,373)
New notes receivable issued	(248,169)	786,372	(117,250)	-	(401,588)
Payments received on notes receivable	670,148	(238,718)	(1,234,095)	(39,397)	33,455
Net cash provided (used) from investing	<u>(590,718)</u>	<u>(1,383,438)</u>	<u>(2,078,504)</u>	<u>(642,011)</u>	<u>(581,104)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds (payments) from loans payable	1,276,800	-	-	-	-
Increase (decrease) annuities	(19,295)	(4,399)	(4,295)	7,805	(4,444)
Net cash provided (used) from financing	<u>1,257,505</u>	<u>(4,399)</u>	<u>(4,295)</u>	<u>7,805</u>	<u>(4,444)</u>
Increase (decrease) cash equivalents	2,743,442	726,571	(1,392,591)	274,773	759,378
Cash & cash equivalents, beginning of year	2,364,419	1,637,848	3,030,439	2,755,666	1,996,288
Cash & cash equivalents, end of year	<u>\$ 5,107,861</u>	<u>2,364,419</u>	<u>1,637,848</u>	<u>3,030,439</u>	<u>2,755,666</u>

Supplemental cash flow data:

There was no cash paid for interest for the years ended December 31, 2020, 2019, 2018, 2017, and 2016, respectively.

See accompanying notes.

**GULF STATES CONFERENCE OF SEVENTH-DAY ADVENTISTS,
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Notes to the Combined Unconsolidated Financial Statements
For the years ended December 31, 2020, 2019, 2018, 2017, and 2016**

Note 1 - Organization description and summary of significant accounting policies

Organization description

Seventh-day Adventist congregations within the states of Alabama and Mississippi, and the following counties in Florida: Bay, Calhoun, Escambia, Gulf, Holmes, Jackson, Okaloosa, Santa Rosa, Walton and Washington, have formed the Gulf States Conference of Seventh-day Adventists (the Conference) and the Gulf States Conference Association of Seventh-day Adventists, Inc. (the Association). Because the Conference and the Association are commonly controlled, their financial statements are combined (the Organizations).

The Organizations' primary purpose is to spread the gospel of Jesus Christ throughout their territory. The Conference supports the operation of all churches and schools in its territory, and is a member organization of the Southern Union Conference of Seventh-day Adventists. The Association holds legal title to all denominational property located within its territory, and performs certain fiduciary duties. The Conference also operates the Gulf States Adventist Book Center (ABC). The ABC sells religious literature and related merchandise to constituents and their families. The Organizations receive most of their revenue in the form of contributions from individuals in their constituent congregations. The ABC receives most of its revenue from the sale of its merchandise. On April 17, 2018, the Executive Committee of Gulf States Conference of Seventh-day Adventists, voted to authorize the sale of the ABC and all of its inventory to the Kentucky-Tennessee Conference as of June 1, 2018. The 2018 activity for the ABC was recorded as discontinued operations to show the costs incurred for the sale.

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

Summary of significant accounting policies

(a) The significant accounting policies of the Organizations are essentially the same as generally accepted accounting principles for not-for-profit organizations as promulgated by the Financial Accounting Standards Board. The significant policies are described below to enhance the usefulness of the financial statements. The financial statements of the Organizations have been prepared on the accrual basis of accounting. In conformity with the accrual basis of accounting, the Organizations have evaluated events that occurred subsequent to the financial statement date, up to August 9, 2021, which is the date the financial statements were issued.

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

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

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

Components of unrestricted activity: Unrestricted activity is separated between operating and non-operating activity. Operating activity is defined as the regular recurring revenue and expense related to the core ministries of the Organizations. Other activity, such as transfers between funds, additions and deletions related to church and school properties, and most of the activity of funds other than the operating fund, is classified as non-operating activity.

(d) Plant assets & depreciation: Plant assets are recorded at cost when purchased or at fair value at date of gift when donated. Plant assets that cost less than \$5,000 are not capitalized, but are charged to expense. Depreciation of land improvements,

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Notes to the Combined Unconsolidated Financial Statements
For the years ended December 31, 2020, 2019, 2018, 2017, and 2016**

Note 1 - Organization description and summary of significant accounting policies (continued)

buildings, and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. See Note 7 for disclosure of the estimated useful lives the Organizations have established for their various classes of plant assets.

Depreciation expense is recorded in the plant fund, and is distributed among the operating expense reported in the statement of changes in net assets by the various program and supporting services functions that use those assets.

In its corporate capacity, the Association holds legal title to properties that are used by local congregations and other affiliated entities. The historical cost of these properties, and related accumulated depreciation, is included in the plant fund, and the related depreciation expense is recorded as non-operating expense in the statement of changes in net assets. (See Note 7)

Uses of operating funds for plant acquisitions and debt service payments are accounted for as committee approved transfers to the plant fund. Such transfers include depreciation funding as well as additional movements of resources from operating funds to the plant fund. Restricted proceeds from the sale of assets and restricted income from plant fund investments are recorded as restricted support. Both principal and interest payments made to retire plant fund debt are recorded in the plant fund.

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

(f) Fair value of financial instruments: Following are the major methods and assumptions used to estimate fair values: Short-term financial instruments are valued at their carrying amounts included in the statement of financial position, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This applies to cash, cash equivalents, accounts receivable, and certain current liabilities.

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

Loans receivable are valued at the amortized amount receivable at the reporting date. An allowance has been recorded based on an estimate of amounts which are not expected to be collected. Because these loans, by intent and practice, are expected to be held to maturity, the carrying amount approximates the discounted value of future cash flows expected to be received. Because of the difficulty and inherent subjectivity involved in determining fair values, which is not susceptible to independent substantiation, management has concluded that the amortized face value of loans receivable from related or affiliated entities approximates fair value.

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

(h) Inventory & supplies: Inventory is valued at the lower of cost or market, under the first-in, first out method. Merchandise and materials held for resale are classified as inventory. Supplies held for future consumption are classified as prepaid expense.

(i) Investment income: Ordinary income from investments, loans, and the like is accounted for in the fund owning the assets, except for the endowment fund. Unrestricted income on endowment fund investments is accounted for as income of the operating fund. Restricted income on endowment fund investments is accounted for as restricted support and temporarily restricted net assets until spent for the restricted purpose designated by the endowment instrument.

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Note 1 - Organization description and summary of significant accounting policies (continued)

(j) Split-interest agreements: The Organizations act as trustees of and/or has a beneficial interest in various kinds of trusts, annuities, and/or other split-interest agreements. Other organizations are partial beneficiaries of some of these agreements. For those agreements that are irrevocable, the respective donated assets are recorded by the Organizations at fair value at the date of gift or acceptance of agreement. For those agreements, liabilities are recorded for the present value of the amount due to income beneficiaries and other remainder beneficiaries. Conservative discount rates are used to compute the present value of such liabilities. Standard actuarial tables and conservative interest rates are used to compute liabilities due to annuitants. For those irrevocable agreements that are unconditional, the Organizations' remainder interest is classified as unrestricted or temporarily restricted depending on the terms of each agreement. Organizations who write charitable gift annuities and are incorporated outside of Florida are required by section 627.481 of the Florida Code to maintain a reserve fund equal to the sum of its outstanding annuity obligations plus 10%. Florida also requires that no more than 50% of the reserve fund may be invested in equities and that no more than 10% of the reserve fund can be invested in any one stock or fund.

(k) Affiliated organizations: The Organizations operate through another organization with which they are affiliated by reason of economic interest and/or shared membership on the respective governing committees. The financial statements of this other organization is not combined with the Organizations. Inter-organization transactions carried on in the ordinary course of business are handled through current accounts receivable and payable, and are settled generally on a monthly basis. Other financial transactions involving appropriations and loans are detailed in Note 12 below. This other organization is:

Bass Memorial Academy: A Christian secondary school, which is a separate unincorporated entity, governed by the Board of Trustees whose chairman is the President of the Organizations, and whose members include other officers and staff of the Organizations. Legal title to real property is vested in the name of the Association. The buildings and land improvements asset values are not included in the financial statements of the Association in accordance with their lease agreement.

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

Operating funds: Unrestricted and restricted resources are available for current operations. This fund group reflects the combined operating activity of the Conference operating fund and the Association operating fund.

Plant funds: The unexpended plant and net invested in plant funds. The unexpended plant fund represents resources that were donor restricted or Conference committee allocated for plant acquisitions. Since operating funds allocated by the Conference committee can be returned to the operating funds by action of the committee, they are included in the unrestricted section of net assets, and appear as allocated net assets. This balance includes the unused portion of funded depreciation, additional funds transferred for plant acquisitions, proceeds from sale of plant assets, and unrestricted plant fund investment earnings. The net invested in plant fund represents plant assets acquired, respective accumulated depreciation, and any respective debt. A separate plant fund financial statement is prepared by the Association as supplementary information.

ABC: This fund is an operating activity of the ABC, a department of the Conference that is operated to sell and distribute Christian literature and related merchandise to its constituents and congregations. The ABC was sold to the Kentucky-Tennessee Conference of Seventh-day Adventist on June 1, 2018. The sale of the ABC was recorded as discontinued operations to show the costs incurred for the sale.

Other funds: A combination of the endowment, quasi-endowment, annuity, agency, irrevocable trust, and laymen's church development funds. Separate financial statements for each of these funds are prepared by the Association as supplementary information.

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Note 1 - Organization description and summary of significant accounting policies (continued)

Following are descriptions of them:

Endowment fund: Represents funds that are subject to restrictions of gift instruments requiring that the principal be held in perpetuity, be invested, and only the income from such investments be used. The principal of true endowments is reported as permanently restricted net assets. Further information about endowments is included in paragraphs (m), (n), and (o).

Quasi-endowment fund: Represents funds that are subject to committee direction requiring that the principal be held for investment, and that only the income from such investments be used. The principal of quasi endowments is reported as allocated unrestricted net assets.

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

Agency fund: An accounting entity where funds received by the Organizations as a fiscal agent for other organizations are held. These funds may be pooled or otherwise invested as directed, and all income and principal is used as directed by the depositors.

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

Laymen's church development fund: Represents funds that are donated by laymen to loan to small churches to help in their building projects. These loans are repaid on a regular payment schedule.

(m) Interpretation of state law regarding endowment assets: The Organizations' Board of Trustees has interpreted the Alabama Prudent Management of Institutional Funds Act (APMIFA) to require the preservation of the fair value of the original gift as of the gift date of donor-restricted endowments, unless explicit donor stipulations provide otherwise.

As a result of this interpretation, the Organizations classify as permanently restricted net assets:

- (a) The original value of gifts donated as permanent endowments,
- (b) The original value of subsequent gifts to the permanent endowment, and
- (c) Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment.

The remaining portion of the donor-restricted endowments that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organizations in a manner consistent with the standard of prudence prescribed by APMIFA.

In accordance with APMIFA, the Organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowments:

- (1) The duration and preservation of the endowment
- (2) The purposes of the Organizations and of the donor-restricted endowment
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organizations
- (7) The investment policies of the Organizations

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Note 1 - Organization description and summary of significant accounting policies (continued)

(n) Endowment investment policies – return objectives, risk parameters, and strategies: The Organizations have adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing value of the endowment assets. Endowment assets include those assets of donor restricted endowments that the Organizations must hold in perpetuity or for a donor-specified period, as well as committee-designated (quasi) endowments.

Under this policy, as approved by the Organizations' Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that approximate the price and yield results of agreed upon benchmarks that are consistent with each portfolio while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Organizations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organizations target a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

(o) Endowment spending policies and relation to investment objectives: The Organizations have not formulated an endowment spending policy.

Note 2 - Cash and cash equivalents

	2020	2019	2018	2017	2016
	Total	Total	Total	Total	Total
Petty cash	\$ -	-	-	3,334	(275)
Checking accounts	1,582,447	1,648,705	980,064	1,060,455	865,892
Money market	3,575,314	771,614	713,684	2,022,550	1,945,949
Total cash	5,157,761	2,420,319	1,693,748	3,086,339	2,811,566
Less: cash held for agency	(49,900)	(55,900)	(55,900)	(55,900)	(55,900)
Total cash and cash equivalents	<u>\$ 5,107,861</u>	<u>2,364,419</u>	<u>1,637,848</u>	<u>3,030,439</u>	<u>2,755,666</u>

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Note 3 - Cash and investments - nonoperating

	2020			2019			2018		
	Cost	Market	Unrealized Appreciation (Decline)	Cost	Market	Unrealized Appreciation (Decline)	Cost	Market	Unrealized Appreciation (Decline)
<u>Carrying amount and fair value</u>									
<u>Cash and investments held</u>									
<u>for other than operating</u>									
<u>Investments not held for split-interest agreements</u>									
Checking accounts	\$ 85,115	85,115	-	61,317	61,317	-	17,097	17,097	-
Money market accounts	43,138	43,138	-	-	-	-	-	-	-
Certificates of deposit	350,000	352,971	2,971	930,879	930,139	(740)	1,257,147	1,257,147	-
Mutual funds	1,002,375	1,001,419	(956)	-	-	-	-	-	-
Corporate bonds	-	-	-	523,000	523,000	-	156,000	156,000	-
Totals for plant fund	1,480,628	1,482,643	2,015	1,515,196	1,514,456	(740)	1,430,244	1,430,244	-
Checking accounts	75,107	75,107	-	132,018	132,018	-	60,249	60,249	-
Totals for agency fund	75,107	75,107	-	132,018	132,018	-	60,249	60,249	-
Checking accounts	82	82	-	386,209	386,209	-	80	80	-
Money market accounts	395,628	395,628	-	390,160	390,160	-	-	-	-
Debt securities	-	-	-	-	-	-	78,177	61,509	(16,668)
Equity securities	2,202,986	2,299,018	96,032	1,101,936	1,169,250	67,314	380,637	526,296	145,659
Totals for quasi-endowment fund	2,598,696	2,694,728	96,032	1,878,305	1,945,619	67,314	458,894	587,885	128,991
Money market accounts	3	3	-	8,642	8,642	-	-	-	-
Mutual funds	-	-	-	-	-	-	7,982	6,399	(1,583)
Equity securities	48,890	73,814	24,924	36,514	41,866	5,352	-	-	-
Totals for endowment fund	48,893	73,817	24,924	45,156	50,508	5,352	7,982	6,399	(1,583)
Totals for other funds	2,722,696	2,843,652	120,956	2,055,479	2,128,145	72,666	527,125	654,533	127,408
Total investments not held for split-interest agreements	\$4,203,324	4,326,295	122,971	3,570,675	3,642,601	71,926	1,957,369	2,084,777	127,408

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Note 3 - Cash and investments - nonoperating (continued)

<u>Carrying amount and fair value</u> <u>Cash and investments held</u> <u>for other than operating</u>	2017			2016		
	Cost	Market	Unrealized	Cost	Market	Unrealized
<u>Investments not held for split-interest agreements</u>						
Checking accounts	\$ 15,596	15,596	-	249,430	249,430	-
Commercial paper	-	-	-	52,677	52,677	-
Certificates of deposit	1,096,248	1,096,248	-	449,244	449,244	-
Totals for plant fund	1,111,844	1,111,844	-	751,351	751,351	-
Checking accounts	97,638	97,638	-	30,591	30,591	-
Totals for agency fund	97,638	97,638	-	30,591	30,591	-
Checking accounts	80	80	-	80	80	-
Debt securities	76,880	76,880	-	85,318	85,318	-
Equity securities	368,449	567,008	198,559	363,102	468,650	105,548
Totals for quasi-endowment fund	445,409	643,968	198,559	448,500	554,048	105,548
Mutual funds	7,135	5,430	(1,705)	7,135	5,430	(1,705)
Totals for endowment fund	7,135	5,430	(1,705)	7,135	5,430	(1,705)
Totals for other funds	550,182	747,036	196,854	486,226	590,069	103,843
Total investments not held for split-interest agreements	\$ 1,662,026	1,858,880	196,854	1,237,577	1,341,420	103,843

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Note 3 - Cash and investments - nonoperating (continued)

	2020			2019			2018		
	Cost	Market	Unrealized	Cost	Market	Unrealized	Cost	Market	Unrealized
<u>Investments held for split-interest agreements</u>									
Checking accounts	\$ 33,874	33,874	-	33,874	33,874	-	33,874	33,874	-
Money market accounts	2,185	2,185	-	8,201	8,201	-	5,591	5,591	-
SDA equity partnership	-	-	-	67,644	79,917	12,273	75,136	75,136	-
Mutual funds	50,035	67,491	17,456	-	-	-	-	-	-
SDA fixed income partnership	81,729	81,729	-	87,699	87,699	-	92,216	92,216	-
Totals for annuity fund	167,823	185,279	17,456	197,418	209,691	12,273	206,817	206,817	-
Checking accounts	5,000	5,000	-	5,000	5,000	-	5,000	5,000	-
Totals for irrevocable trust fund	5,000	5,000	-	5,000	5,000	-	5,000	5,000	-
Total investments held for split-interest agreements	172,823	190,279	17,456	202,418	214,691	12,273	211,817	211,817	-
Total investments held for other than operating purposes	\$4,376,147	4,516,574	140,427	3,773,093	3,857,292	84,199	2,169,186	2,296,594	127,408

The carrying amount is stated at fair value.

	2017			2016		
	Cost	Market	Unrealized	Cost	Market	Unrealized
<u>Investments held for split-interest agreements</u>						
Checking accounts	\$ 33,874	33,874	-	33,874	33,874	-
Money market accounts	5,698	5,698	-	9,154	9,154	-
SDA equity partnership	87,798	87,798	-	82,688	82,688	-
SDA fixed income partnership	94,431	94,431	-	95,179	95,179	-
Totals for annuity fund	221,801	221,801	-	220,895	220,895	-
Checking accounts	5,000	5,000	-	5,000	5,000	-
Totals for irrevocable trust fund	5,000	5,000	-	5,000	5,000	-
Total investments held for split-interest agreements	226,801	226,801	-	225,895	225,895	-
Total investments held for other than operating purposes	\$ 226,801	226,801	-	225,895	225,895	-

The carrying amount is stated at fair value.

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Note 3 - Cash and investments - nonoperating (continued)

	Operating Activity	Nonoper. Activity	2020 Total	2019 Total	2018 Total	2017 Total	2016 Total
Composition of investment return							
Investment income (interest & dividends)	\$ -	133,951	133,951	84,740	48,612	14,988	9,789
Net unrealized gain (loss) in value of investments	-	49,219	49,219	71,926	(69,448)	93,012	41,110
Total income from investments (excluding cash)	-	183,170	183,170	156,666	(20,836)	108,000	50,899
Interest earned on cash and cash equivalents	4,703	12	4,715	975	9,820	22,676	15,266
Interest earned on revolving fund investments	57,514	426	57,940	91,013	69,049	30,192	34,517
Total investment return	<u>\$ 62,217</u>	<u>183,608</u>	<u>245,825</u>	<u>248,654</u>	<u>58,033</u>	<u>160,868</u>	<u>100,682</u>

* The Organization did not have any gain or loss on investments for which carrying value is not fair value.

	2020			2019			2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Equity securities	\$ -	2,372,832	-	-	1,291,033	-	-	607,831	-
Debt securities	-	-	-	-	523,000	-	-	61,509	-
Mutual funds	-	1,068,910	-	-	-	-	-	-	-
Fixed income securities	-	81,729	-	-	87,699	-	-	92,216	-
Totals	<u>\$ -</u>	<u>3,523,471</u>	<u>-</u>	<u>-</u>	<u>1,901,732</u>	<u>-</u>	<u>-</u>	<u>761,556</u>	<u>-</u>

	2017			2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Equity securities	\$ -	660,236	-	-	556,768	-
Debt securities	-	76,880	-	-	85,318	-
Fixed income securities	-	94,431	-	-	95,179	-
Totals	<u>\$ -</u>	<u>831,547</u>	<u>-</u>	<u>-</u>	<u>737,265</u>	<u>-</u>

Sources of fair value information

The Organizations are subject to accounting principles that require disclosure about the information used to determine fair values for assets and liabilities that are subject to fair value accounting on either a recurring or non-recurring basis. This information is separated into three "levels" of inputs, as follows:

Level 1: Observable quoted market prices in active markets for identical assets or liabilities.

Level 2: Direct or indirect observable market data, such as quoted prices in inactive markets for identical assets or liabilities, quoted prices in active markets for similar assets or liabilities, and other observable market data correlated to identical or similar assets or liabilities.

Level 3: Unobservable inputs and assumptions based on judgment and the best information available.

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Note 4 - Accounts receivable, net	2020 Total	2019 Total	2018 Total	2017 Total	2016 Total
Church remittances	\$ 1,381,294	1,648,351	1,577,493	1,327,430	1,255,392
Church and schools	115,239	188,975	234,517	76,295	132,689
Bass Memorial Academy	327,739	400,414	394,967	224,289	155,252
Adventist Book Center	-	-	-	2,386	2,473
Other SDA entities	600	636	82,148	14,742	38,847
Employees' accounts	7,553	30,142	24,899	72,593	54,994
Miscellaneous	-	6,151	12,904	6,832	8,016
Gross accounts receivable	1,832,425	2,274,669	2,326,928	1,724,567	1,647,663
Less: allowance for uncollectable accounts	(345,391)	(513,420)	(521,516)	(285,019)	(148,907)
Accounts receivable, net	<u>\$ 1,487,034</u>	<u>1,761,249</u>	<u>1,805,412</u>	<u>1,439,548</u>	<u>1,498,756</u>

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Note 5 - Notes and loans receivable - operating

	2020		
	Current	Long-Term	Total
<u>Operating fund</u>			
Union Grove Primitive Baptist Church, secured @ 3.50%	\$ 4,737	57,750	62,487
Southern Union Revolving Fund, Unsecured @ 2.0%	3,349,152	-	3,349,152
Total operating fund loans	<u>\$ 3,353,889</u>	<u>57,750</u>	<u>3,411,639</u>

	2019		
	Current	Long-Term	Total
<u>Operating fund</u>			
Employee loan	\$ 157,930	-	157,930
Academy Health Center, Inc., secured @ 3.5%	375,693	-	375,693
Union Grove Primitive Baptist Church, secured @ 3.50%	4,574	62,350	66,924
Southern Union Revolving Fund, Unsecured @ 2.0%	3,300,762	-	3,300,762
Total operating fund loans	<u>\$ 3,838,959</u>	<u>62,350</u>	<u>3,901,309</u>

	2018		
	Current	Long-Term	Total
<u>Operating fund</u>			
Employee loan	\$ 5,200	-	5,200
Union Grove Primitive Baptist Church, secured @ 3.50%	4,274	66,923	71,197
Southern Union Revolving Fund, Unsecured @ 2.0%	4,138,600	-	4,138,600
Total operating fund loans	<u>\$ 4,148,074</u>	<u>66,923</u>	<u>4,214,997</u>

	2017		
	Current	Long-Term	Total
<u>Operating fund</u>			
Employee loan	\$ 740	-	740
Academy Health Center, Inc., secured @ 3.5%			-
Union Grove Primitive Baptist Church, secured @ 3.50%	4,211	75,789	80,000
Southern Union Revolving Fund, Unsecured @ 2.0%	2,833,027	-	2,833,027
Total operating fund loans	<u>\$ 2,837,978</u>	<u>75,789</u>	<u>2,913,767</u>

	2016		
	Current	Long-Term	Total
<u>Operating fund</u>			
Employee loan	\$ 740	-	740
Southern Union Revolving Fund, Unsecured @ 2.0%	2,804,850	-	2,804,850
Total operating fund loans	<u>\$ 2,805,590</u>	<u>-</u>	<u>2,805,590</u>

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Note 6 - Inventory & prepaid expenses	2020	2019	2018	2017	2016
	Total	Total	Total	Total	Total
Prepaid expenses	\$ 173,705	137,102	199,888	110,193	33,056
Supplies inventory	39,514	35,017	33,961	16,672	19,134
SDA literature	-	-	515	72,854	64,740
Multimedia merchandise	-	-	-	2,161	4,679
Food products	-	-	-	26,638	26,103
Miscellaneous	-	-	-	386	228
Total inventory and prepaid expense	\$ 213,219	172,119	234,364	228,904	147,940

Note 7 - Land, buildings, and equipment, net

	Total Cost	Accumulated Depreciation	Net Value	Depreciation Expense
<u>Balances 2020</u>				
Conference use:				
Land	\$ 731,082	-	731,082	-
Land improvements	378,365	149,902	228,463	16,417
Buildings	2,298,628	313,828	1,984,800	45,195
Leasehold property	672,771	546,977	125,794	18,127
Equipment & vehicles	1,336,744	1,006,046	330,698	81,805
Construction in progress	432,265	-	432,265	-
Total for conference use	5,849,855	2,016,753	3,833,102	161,544
Affiliated entities use:				
Local church and school properties	35,671,219	15,697,553	19,973,666	665,244
Construction in progress	481,845	-	481,845	-
Total affiliated use	36,153,064	15,697,553	20,455,511	665,244
Total land, building, and equipment, net	\$ 42,002,919	17,714,306	24,288,613	826,788
<u>Balances 2019</u>				
Conference use:				
Land	\$ 731,082	-	731,082	-
Land improvements	378,365	133,485	244,880	16,416
Buildings	2,298,628	268,633	2,029,995	45,195
Leasehold property	672,771	539,575	133,196	20,108
Equipment & vehicles	1,392,047	1,054,120	337,927	46,923
Construction in progress	244,983	-	244,983	-
Total for conference use	5,717,876	1,995,813	3,722,063	128,642
Affiliated entities use:				
Local church and school properties	34,833,612	15,065,601	19,768,011	675,490
Construction in progress	481,845	-	481,845	-
Total affiliated use	35,315,457	15,065,601	20,249,856	675,490
Total land, building, and equipment, net	\$ 41,033,333	17,061,414	23,971,919	804,132

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Note 7 - Land, buildings, and equipment, net (continued)

	<u>Total Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>	<u>Depreciation Expense</u>
<u>Balances 2018</u>				
Conference use:				
Land	\$ 603,430	-	603,430	-
Land improvements	378,365	117,069	261,296	16,417
Buildings	2,317,277	223,439	2,093,838	45,195
Leasehold property	540,144	519,467	20,677	978
Equipment & vehicles	1,345,413	1,007,197	338,216	76,718
Construction in progress	121,350	-	121,350	-
Total for conference use	5,305,979	1,867,172	3,438,807	139,308
Total for ABC - equipment & vehicles	56,235	56,235	-	-
Affiliated entities use:				
Local church and school properties	34,500,271	14,450,159	20,050,112	673,284
Construction in progress	481,845	-	481,845	-
Total affiliated use	34,982,116	14,450,159	20,531,957	673,284
Total land, building, and equipment, net	<u>\$ 40,344,330</u>	<u>16,373,566</u>	<u>23,970,764</u>	<u>812,592</u>
 <u>Balances 2017</u>				
Conference use:				
Land	\$ 603,430	-	603,430	-
Land improvements	378,365	100,652	277,713	16,417
Buildings	2,298,628	178,245	2,120,383	45,195
Leasehold property	540,144	518,488	21,656	1,344
Equipment & vehicles	1,285,124	930,479	354,645	66,577
Total for conference use	5,105,691	1,727,864	3,377,827	129,533
Total for ABC - equipment & vehicles	56,235	56,235	-	-
Affiliated entities use:				
Local church and school properties	34,249,876	13,776,874	20,473,002	671,482
Total affiliated use	34,249,876	13,776,874	20,473,002	671,482
Total land, building, and equipment, net	<u>\$ 39,411,802</u>	<u>15,560,973</u>	<u>23,850,829</u>	<u>801,015</u>

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Note 7 - Land, buildings, and equipment, net (continued)

	<u>Total Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>	<u>Depreciation Expense</u>
<u>Balances 2016</u>				
Conference use:				
Land	\$ 603,430	-	603,430	-
Land improvements	378,365	84,235	294,130	16,416
Buildings	2,298,628	133,050	2,165,578	45,195
Leasehold property	540,144	517,144	23,000	1,955
Equipment & vehicles	1,252,007	893,331	358,676	65,336
Construction in progress	-	-	-	-
Total for conference use	5,072,574	1,627,760	3,444,814	128,902
Total for ABC - equipment & vehicles	56,235	56,235	-	-
Affiliated entities use:				
Local church and school properties	33,560,803	13,160,986	20,399,817	717,783
Construction in progress	127,967	-	127,967	-
Total affiliated use	33,688,770	13,160,986	20,527,784	717,783
Total land, building, and equipment, net	<u>\$ 38,817,579</u>	<u>14,844,981</u>	<u>23,972,598</u>	<u>846,685</u>

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Note 8 - Notes & loans receivable other than operating

	2020		
	Current	Long-Term	Total
<u>Plant funds</u>			
Southern Union Revolving Fund (SURF)	\$ 32	-	32
<u>Other funds</u>			
Endowment fund - SURF	24,747	-	24,747
Layman's church development fund	60,723	366,766	427,489
Total other funds	85,470	366,766	452,236
Total notes & loans receivable other than operating	<u>\$ 85,502</u>	<u>366,766</u>	<u>452,268</u>
	2019		
	Current	Long-Term	Total
<u>Plant funds</u>			
Southern Union Revolving Fund (SURF)	\$ 32	-	32
<u>Other funds</u>			
Endowment fund - SURF	24,708	-	24,708
Layman's church development fund	51,593	308,244	359,837
Total other funds	76,301	308,244	384,545
Total notes & loans receivable other than operating	<u>\$ 76,333</u>	<u>308,244</u>	<u>384,577</u>
	2018		
	Current	Long-Term	Total
<u>Plant funds</u>			
Southern Union Revolving Fund (SURF)	\$ 31	-	31
<u>Other funds</u>			
Endowment fund - SURF	61,448	-	61,448
Quasi endowment fund - SURF	137,552	-	137,552
Layman's church development fund	53,201	366,310	419,511
Total other funds	252,201	366,310	618,511
Total notes & loans receivable other than operating	<u>\$ 252,232</u>	<u>366,310</u>	<u>618,542</u>

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Note 8 - Notes & loans receivable other than operating (continued)

	2017		
	Current	Long-Term	Total
<u>Plant funds</u>			
Southern Union Revolving Fund (SURF)	\$ 31	-	31
<u>Other funds</u>			
Endowment fund - SURF	60,827	-	60,827
Quasi endowment fund - SURF	135,387	-	135,387
Layman's church development fund	64,814	307,368	372,182
Total other funds	261,028	307,368	568,396
Total notes & loans receivable other than operating	<u>\$ 261,059</u>	<u>307,368</u>	<u>568,427</u>
	2016		
	Current	Long-Term	Total
<u>Plant funds</u>			
Southern Union Revolving Fund (SURF)	\$ 30	30	60
<u>Other funds</u>			
Endowment fund - SURF	71,441	-	71,441
Quasi endowment fund - SURF	134,040	-	134,040
Layman's church development fund	49,016	382,649	431,665
Total other funds	254,497	382,649	637,146
Total notes & loans receivable other than operating	<u>\$ 254,527</u>	<u>382,679</u>	<u>637,206</u>

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Note 9 - Accounts payable	2020	2019	2018	2017	2016
	Total	Total	Total	Total	Total
Southern Union Conference	\$ 960,404	632,238	635,859	569,966	574,416
Other SDA organizations	10,817	130,683	69,474	171,138	111,782
Church and school accounts	16,040	2,571	7,024	-	-
Insurance appropriation to churches	-	-	159,657	-	-
Gulf States Conference Association	-	525	-	-	-
Commercial accounts	8,447	72,241	26,939	50,517	42,045
Payroll taxes	85,747	11,029	13,416	15,488	10,034
Employee accounts	18,845	30,904	39,603	67,023	67,660
ARM health care	99,297	72,554	73,628	55,353	48,071
Accrued vacation	98,386	48,356	35,804	43,263	48,112
Miscellaneous	110,790	24,330	4,821	4,955	10,825
Total accounts payable, current	<u>\$ 1,408,773</u>	<u>1,025,431</u>	<u>1,066,225</u>	<u>977,703</u>	<u>912,945</u>

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Note 10 - Notes payable

Operating fund:

Bankfirst Loan (1.00%) matures 4/10/22

Total notes payable

2020		
Current	Long-Term	Total
\$ 1,276,800	-	1,276,800
\$ 1,276,800	-	1,276,800
2019		
Current	Long-Term	Total
\$ -	-	-
\$ -	-	-
2018		
Current	Long-Term	Total
\$ -	-	-
\$ -	-	-
2017		
Current	Long-Term	Total
\$ -	-	-
\$ -	-	-
2016		
Current	Long-Term	Total
\$ -	-	-
\$ -	-	-

Amounts due on principal during the next five years are as follows:

2021	\$ 1,276,800
2022	-
2023	-
2024	-
2025	-
Future	-
	\$ 1,276,800

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Note 11 - Change in irrevocable split-interest agreements

	2020	2019	2018	2017	2016
	Total	Total	Total	Total	Total
<u>Changes in gift portion - annuity fund</u>					
Investment income on annuity assets	\$ 10,595	19,832	2,007	17,886	17,237
Actuarial adjustments to present value	7,048	(4,400)	(4,295)	7,805	(4,444)
Required payments to annuitants	(12,945)	(15,665)	(15,665)	(15,665)	(15,665)
Net adjustment to value of annuities	4,698	(233)	(17,953)	10,026	(2,872)
Transfers	(9,815)	7,506	7,264	(16,925)	7,569
Net assets, beginning	30,834	23,561	34,250	41,149	36,452
Net assets, ending	<u>\$ 25,717</u>	<u>30,834</u>	<u>23,561</u>	<u>34,250</u>	<u>41,149</u>
<u>Changes in liability to annuitants</u>					
Present value of liability, beginning	\$ 144,983	149,382	153,677	145,872	150,316
Actuarial adjustments to present value	(19,295)	(4,399)	(4,295)	7,805	(4,444)
Present value of liability, ending	<u>\$ 125,688</u>	<u>144,983</u>	<u>149,382</u>	<u>153,677</u>	<u>145,872</u>

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Note 12 - Net assets with donor restrictions	Balance 12/31/2019	Restricted Income	Restrictions Released	Balance 12/31/2020
<u>Temporary restrictions:</u>				
Pastor & bible workers	\$ -	1,300	1,300	-
Evangelism	1,655,950	810,901	271,242	2,195,609
Hispanic ministries	47,664	23,484	7,500	63,648
Native american ministries	25,000	-	-	25,000
Family life	85	15	-	100
Women's ministries	-	119	-	119
Church leadership training	-	50	50	-
Youth activities	-	300	300	-
Alamisco - summer camp	-	10,699	10,699	-
Alamisco - convention	-	8,683	8,683	-
Campmeeting	-	70	70	-
Church building funding	3,927	55,871	7,500	52,298
Elementary school operating	-	240,690	240,690	-
Academy operating - Bass Memorial Academy	-	288,690	288,690	-
Higher education operation	-	6,175	6,175	-
Student aid/ loan amortization	-	19,222	19,222	-
Bass Memorial Academy capital	-	859	859	-
Literature evangelism personnel	-	40,008	40,008	-
Health ministries	-	3	-	3
Ingathering reversion	54,680	3,186	11,011	46,855
Adventist disaster response & preparedness	70,171	64,435	119,215	15,391
Inner city	1	-	-	1
Association	-	310	310	-
Executive administration	-	4,867	4,867	-
Conference advance/development	432,292	124,609	129,800	427,101
Youth camps building/equipment	248	522	-	770
Charitable remainder irrevocable trusts	(6,268)	-	-	(6,268)
Total operating fund - net assets with donor restrictions	<u>\$ 2,283,750</u>	<u>1,705,068</u>	<u>1,168,191</u>	<u>2,820,627</u>
Plant fund	\$ -	-	-	-
Total plant funds - net assets with donor restrictions	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bass Memorial Academy endowment	\$ 12,965	3,737	-	16,702
Floral Crest endowment	22,029	386	386	22,029
Tuscaloosa school endowment	607	39	-	646
Total endowment fund temporarily restricted	<u>\$ 35,601</u>	<u>4,162</u>	<u>386</u>	<u>39,377</u>
Irrevocable trust funds	51,673	(2,350)	-	49,323
Total other funds - net assets with donor restrictions	<u>\$ 87,274</u>	<u>1,812</u>	<u>386</u>	<u>88,700</u>
Total net assets with temporary donor restrictions	<u>\$ 2,371,024</u>	<u>1,706,880</u>	<u>1,168,577</u>	<u>2,909,327</u>

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Note 12 - Net assets with donor restrictions (continued)

<u>Permanent restrictions</u>	Balance 12/31/2019	Restricted Income	Restrictions Released	Balance 12/31/2020
Net assets with permanent restrictions				
restricted to:				
Conference true endowment for education	\$ 33,518	-	-	33,518
Layman's church development foundation	405,241	-	-	405,241
Total net assets with permanent donor restrictions	<u>\$ 438,759</u>	<u>-</u>	<u>-</u>	<u>438,759</u>
 Total net assets with donor restrictions	 <u>\$ 2,809,783</u>	 <u>1,706,880</u>	 <u>1,168,577</u>	 <u>3,348,086</u>
	Balance 12/31/2018	Restricted Income	Restrictions Released	Balance 12/31/2019
Total net assets with temporary donor restrictions	\$ 2,013,348	1,378,093	1,051,066	2,340,375
Total net assets with permanent donor restrictions	438,759	-	-	438,759
Total net assets with donor restrictions	<u>\$ 2,452,107</u>	<u>1,378,093</u>	<u>1,051,066</u>	<u>2,779,134</u>
	Balance 12/31/2017	Restricted Income	Restrictions Released	Balance 12/31/2018
Total net assets with temporary donor restrictions	\$ 1,692,584	1,311,666	990,902	2,013,348
Total net assets with permanent donor restrictions	438,759	-	-	438,759
Total net assets with donor restrictions	<u>\$ 2,131,343</u>	<u>1,311,666</u>	<u>990,902</u>	<u>2,452,107</u>
	Balance 12/31/2016	Restricted Income	Restrictions Released	Balance 12/31/2017
Total net assets with temporary donor restrictions	\$ 1,192,551	1,469,075	969,042	1,692,584
Total net assets with permanent donor restrictions	438,759	-	-	438,759
Total net assets with donor restrictions	<u>\$ 1,631,310</u>	<u>1,469,075</u>	<u>969,042</u>	<u>2,131,343</u>
	Balance 12/31/2015	Restricted Income	Restrictions Released	Balance 12/31/2016
Total net assets with temporary donor restrictions	\$ 1,009,162	1,464,701	1,281,312	1,192,551
Total net assets with permanent donor restrictions	438,759	-	-	438,759
Total net assets with donor restrictions	<u>\$ 1,447,921</u>	<u>1,464,701</u>	<u>1,281,312</u>	<u>1,631,310</u>

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Note 13 - Related party transactions

As explained in Note 1(k), the Conference is affiliated with Bass Memorial Academy (Academy). Balances receivable and payable from the Academy are disclosed in Note 4.

Appropriations were made to the Academy as follows:

	2020	2019	2018	2017	2016
	Total	Total	Total	Total	Total
Operating subsidies					
Total expense	\$ 2,065,150	2,100,051	2,198,998	1,916,894	1,499,578
Less: rebilling income	(1,264,720)	(1,055,757)	(1,101,752)	(1,123,390)	(1,063,250)
Net operating subsidies	\$ 800,430	1,044,294	1,097,246	793,504	436,328
Scholarship funds	48,061	41,825	74,615	18,476	77,693
Capital appropriations	785,813	53,720	49,243	53,720	44,767
Total appropriations	<u>\$ 1,634,304</u>	<u>1,139,839</u>	<u>1,221,104</u>	<u>865,700</u>	<u>558,788</u>

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Note 14 – Analysis of expenses

	2020 Program Services					Total Program Services
	Church Ministries	Education	Publishing	Health & Humanitarian	Other	
Salaries, benefits, and taxes	\$ 3,122,856	3,233,021	43,105	67	188,283	6,587,332
Travel expenses	416,083	43,701	13,127	105	36,665	509,681
Public relations	16,787	367	7,908	-	889	25,951
Utilities, repair & maintenance	124,097	36,116	414	(441)	5,323	165,509
Depreciation	55,844	67,846	2,459	1,293	3,580	131,022
Appropriations	241,079	1,716,931	-	108,684	-	2,066,694
Retirement plan contribution DB	619,887	631,452	8,046	-	38,617	1,298,002
Supplies and general	634,216	625,556	155,312	11,374	61,988	1,488,446
Total expenses	\$ 5,230,849	6,354,990	230,371	121,082	335,345	12,272,637

	2020 Supporting Services			2020 Total Program & Supporting Expenses
	Total Program Services	Administration & Office Resources	Other	
Salaries, benefits, and taxes	\$ 6,587,332	602,962	1,783,131	8,973,425
Travel expenses	509,681	61,615	11,302	582,598
Public relations	25,951	9,779	-	35,730
Utilities, repair & maintenance	165,509	17,605	(7,000)	176,114
Depreciation	131,022	10,016	20,506	161,544
Appropriations	2,066,694	-	75,351	2,142,045
Retirement plan contribution DB	1,298,002	116,419	-	1,414,421
Supplies and general	1,488,446	119,772	37,484	1,645,702
Total expenses	\$12,272,637	938,168	1,920,774	15,131,579

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Note 14 – Analysis of expenses (continued)

2019 Program Services

	Church Ministries	Education	Publishing	Health & Humanitarian	Other	Total Program Services
Salaries, benefits, and taxes	\$ 3,031,118	3,301,483	35,332	130	142,972	6,511,035
Travel expenses	524,754	48,212	17,621	16,203	36,337	643,127
Public relations	7,156	47	4,064	-	-	11,267
Utilities, repair & maintenance	210,396	124,744	3,755	405	6,648	345,948
Depreciation	49,373	49,895	1,701	223	-	101,192
Appropriations	(65,371)	823,825	-	907	-	759,361
Retirement plan contribution DB	522,965	551,990	6,938	-	26,138	1,108,031
Supplies and general	956,161	560,612	116,766	6,546	29,362	1,669,447
Total expenses	\$ 5,236,552	5,460,808	186,177	24,414	241,457	11,149,408

2019 Supporting Services

	Total Program Services	Administration & Office Resources	Other	Total Supporting Services	2019 Total Program & Supporting Expenses
Salaries, benefits, and taxes	\$ 6,511,035	621,736	1,538,082	2,159,818	8,670,853
Travel expenses	643,127	136,887	837	137,724	780,851
Public relations	11,267	138	-	138	11,405
Utilities, repair & maintenance	345,948	27,908	29,018	56,926	402,874
Depreciation	101,192	9,222	18,227	27,449	128,641
Appropriations	759,361	-	-	-	759,361
Retirement plan contribution DB	1,108,031	115,731	-	115,731	1,223,762
Supplies and general	1,669,447	97,641	73,070	170,711	1,840,158
Total expenses	\$11,149,408	1,009,263	1,659,234	2,668,497	13,817,905

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Note 14 – Analysis of expenses (continued)

	2018 Program Services					Total Program Services
	Church Ministries	Education	Publishing	Health & Humanitarian	Other	
Salaries, benefits, and taxes	\$ 2,956,989	3,216,064	113,894	130	117,568	6,404,645
Travel expenses	600,943	80,255	16,851	7,239	27,698	732,986
Public relations	3,371	176	2,488	-	-	6,035
Utilities, repair & maintenance	166,068	90,916	7,572	265	4,842	269,663
Depreciation	48,651	47,483	6,188	244	2,192	104,758
Appropriations	257,520	746,281	512,499	718	-	1,517,018
Retirement plan contribution DB	666,106	439,990	8,612	-	26,137	1,140,845
Supplies and general	1,028,821	813,926	40,140	19,201	72,494	1,974,582
Total expenses	\$ 5,728,469	5,435,091	708,244	27,797	250,931	12,150,532

	2018 Supporting Services			Total Supporting Services	2018 Total Program & Supporting Expenses
	Total Program Services	Administration & Office Resources	Other		
Salaries, benefits, and taxes	\$ 6,404,645	597,597	492,412	1,090,009	7,494,654
Travel expenses	732,986	116,827	454	117,281	850,267
Public relations	6,035	84	-	84	6,119
Utilities, repair & maintenance	269,663	20,363	11,763	32,126	301,789
Depreciation	104,758	7,772	10,788	18,560	123,318
Appropriations	1,517,018	-	-	-	1,517,018
Retirement plan contribution DB	1,140,845	137,949	-	137,949	1,278,794
Supplies and general	1,974,582	3,295	719,445	722,740	2,697,322
Total expenses	\$12,150,532	883,887	1,234,862	2,118,749	14,269,281

Methods used for allocation of expenses among program and supporting services

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include depreciation, health care benefits, and plant maintenance. Depreciation and plant maintenance are allocated based on a operating expenses by function, and health care benefits are allocated as a percentage of payroll costs.

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Note 15 - Nonoperating activity

	2020	2019	2018	2017	2016
	Total	Total	Total	Total	Total
Investment income	\$ 141,378	92,838	30,690	13,709	1,922
Annuity income	28,195	22,939	4,976	8,767	15,918
Unrestricted donations	606,503	797,195	-	-	-
Subsidy	-	-	-	25,000	-
Miscellaneous income	-	-	5	1	8,259
Unrealized gain (loss) on investment	49,219	71,926	1,117	93,012	41,653
Realized gain (loss) on investment	-	68,138	-	-	-
Church & school properties added	896,273	432,020	885,703	622,707	726,185
Nonoperating revenue	<u>\$ 1,721,568</u>	<u>1,485,056</u>	<u>922,491</u>	<u>763,196</u>	<u>793,937</u>
Depr. church & school properties	\$ (665,244)	(675,490)	(673,285)	(671,482)	(717,783)
Miscellaneous expense	(144,394)	(346,194)	(33,488)	(20,299)	(10,048)
Unrealized loss on investment	-	-	(70,565)	-	(543)
Nonoperating expense	<u>\$ (809,638)</u>	<u>(1,021,684)</u>	<u>(777,338)</u>	<u>(691,781)</u>	<u>(728,374)</u>
Proceeds from sale of plant assets	\$ 110,976	392,970	32,500	162,382	-
Net value of plant assets sold	(25,375)	(49,500)	(21,776)	(22,223)	-
Net gain (loss) on sale of assets	<u>\$ 85,601</u>	<u>343,470</u>	<u>10,724</u>	<u>140,159</u>	<u>-</u>
Endowment distributions	\$ (386)	(441)	(15,295)	(21,281)	(5,407)
Required payments to annuitants	<u>\$ (12,945)</u>	<u>(15,665)</u>	<u>(15,665)</u>	<u>(15,665)</u>	<u>(15,665)</u>
Unexpended plant resources spent	\$ 272,585	(295,112)	209,300	631,022	(622,591)
Purchases to net invested in plant	(272,585)	295,112	(209,300)	(631,022)	622,591
Funding of depreciation	-	(45,195)	-	-	-
Transfers between funds	-	45,195	-	-	-
Net transfers between funds	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Note 16 - Pension and other post-retirement benefits

Defined benefit plans

The Organizations participate in the following non-contributory, defined benefit plans:

1. The defined benefit pension plan known as the Seventh-day Adventist Retirement Plan of the North American Division (NADRP). This plan, which covers substantially all employees of the Organizations, is administered by the General Conference of Seventh-day Adventists, North American Division (NAD), in Columbia, Maryland, and is exempt from the Employee Retirement Income Security Act of 1974 as a "multiple-employer" plan of a church-related agency. This plan provides primarily monthly pension benefits based on years of service and other factors.

The NAD Committee voted to freeze accrual of service credit in NADRP effective December 31, 1999, except for employees who chose the career completion option, and to start a new defined contribution plan effective January 1, 2000. Certain employees will continue to be eligible for future benefits under this plan. The Organizations continue to make contributions to this plan, at rates determined annually by the plan.

2. The defined benefit health care plan known as the Health Care Assistance Plan for Participants in the Seventh-day Adventist Retirement Plan of the North American Division (HCA PRP). This plan, which covers substantially all employees of the Organizations, is administered by NAD in Columbia, Maryland, and is exempt from the Employee Retirement Income Security Act of 1974 as a "multiple-employer" plan of a church related agency. This plan provides primarily health-care benefits which supplement Medicare benefits. The extent of these benefits is based on years of service and the beneficiary's monthly contribution.

Accounting standards define these plans as "multiemployer" plans. As such, it is not required, nor is it possible, to determine the actuarial value of accumulated benefits or plan net assets for employees of the Organizations apart from other plan participants.

Information about the required contributions to these plans, the actuarial obligation for future benefits, and the funded status of these plans, are presented in the tables below.

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Note 16 - Pension and other post-retirement benefits (continued)

	NADRP	HCAPRP	Total
Required contributions from the organizations:			
For the year ended 12-31-2020	\$ 1,047,912	374,255	1,422,167
For the year ended 12-31-2019	\$ 898,124	322,800	1,220,924
For the year ended 12-31-2018	\$ 946,480	338,030	1,284,510
For the year ended 12-31-2017	\$ 884,395	315,856	1,200,251
For the year ended 12-31-2016	\$ 855,630	316,901	1,172,531
Because the following information is not publically available, it is required to be disclosed on the basis of information received from each plan			
Total contributions received from all employers:			
For the year ended 12-31-2020	Not available	Not available	
For the year ended 12-31-2019	\$ 116,270,125	42,839,391	159,109,516
For the year ended 12-31-2018	\$ 116,320,826	42,806,003	159,126,829
For the year ended 12-31-2017	\$ 110,851,633	40,409,332	151,260,965
For the year ended 12-31-2016	\$ 105,681,437	38,553,586	144,235,023
Whether the Organization's contributions were more or less than 5% of the total contributions received by each plan:			
For the year ended 12-31-2020	Not available	Not available	
For the year ended 12-31-2019	Less than	Less than	
For the year ended 12-31-2018	Less than	Less than	
For the year ended 12-31-2017	Less than	Less than	
For the year ended 12-31-2016	Less than	Less than	
Plan net assets available for benefits:			
For the year ended 12-31-2020	Not available	Not available	
For the year ended 12-31-2019	\$ 284,675,114	96,344,146	381,019,260
For the year ended 12-31-2018	\$ 243,287,022	79,634,931	322,921,953
For the year ended 12-31-2017	\$ 244,084,852	76,021,105	320,105,957
For the year ended 12-31-2016	\$ 221,751,327	60,247,027	281,998,354
Actuarial obligation and funded status			
Because the following information is not publicly available, it is required to be disclosed on the basis of information received from each plan.			
	NADRP	HCAPRP	
Date of plan year-end latest actuarial information	12/31/2018	12/31/2018	
Actuarial liability for future benefits	\$ 1,436,554,117	468,150,310	
Value of net assets available for benefits	\$ 243,287,022	79,634,931	
Plan funded status as of date of last actuarial data	Less than 65%	Less than 65%	

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Note 16 - Pension and other post-retirement benefits (continued)

Risks and other information

The risks of participating in multiemployer plans are different from single-employer plans, in the following aspects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Organizations choose to stop participating in a multiemployer plan, the Organizations may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Other information about risks and contingencies related to these plans are as follows.

- Information about the plans is not publicly available, so no "certified zone status" has been determined.
- The Organizations' required contributions are not the subject of any collective bargaining agreement.
- No funding improvement plans or rehabilitation plans had been implemented or were pending.
- The Organizations have not paid any "surcharge" to either of the plans.
- No minimum contribution for future periods has been determined or required of the Organizations.

Defined contribution plan

Effective January 1, 2000, the Organizations participate in a defined contribution retirement plan known as The Adventist Retirement Plan. This plan, which covers substantially all employees of the Organizations, is administered by NAD in Columbia, Maryland, and is exempt from the Employee Retirement Income Security Act of 1974 as a "multiple-employer" plan of a church-related agency.

The Organizations contributed \$379,939, \$378,749, \$366,165, \$360,671, and \$371,250 to the plan for the years ended December 31, 2020, 2019, 2018, 2017, and 2016, respectively, based on a stated percentage of each employee's earnings and a stated matching percentage of certain employee voluntary contributions. Administration of the accumulated contributions designated for each employee is provided under an agreement between NAD Corporation and Great-West Life & Annuity Insurance Company.

Note 17 - Split-interest agreements

As of December 31, 2020, 2019, 2018, 2017, and 2016, the Association served as trustee for one, one, zero, one, and two unconditional irrevocable trust, respectively, of which the Organizations were not a named beneficiary. In accordance with accounting principles generally accepted by the denomination, the assets, liabilities, and net assets related to these trusts have been included in these financial statements.

As of December 31, 2020, 2019, 2018, 2017, and 2016, the Association served as trustee of 12, 12, 14, 13, and 15 revocable trusts, respectively. Since the trustors of these agreements have reserved the right to direct and control investment of the related assets, no assets or liabilities related to these trusts are included in these financial statements.

The Organizations are generally a remainder beneficiary of at least a portion of these various trust assets. Also, the Organizations may be a beneficiary of wills or trusts administered by other trustees, of which the Organizations may not be aware. The General Conference Auditing Service has performed a review of the Association's fiduciary administration of the trusts for which the Association is trustee, and has issued a separate report thereon dated December 3, 2020.

The Southern Union Conference Association of Seventh-day Adventists holds three, three, four, four, and unitrusts administered by the Western Adventist Foundation that potentially will benefit the Organizations and their related entities. According to the Western Adventist Foundation, the remainder interest of the assets held was \$49,323, \$51,673, \$55,102, \$45,803, and \$47,927 at December 31, 2020, 2019, 2018, 2017, and 2016, respectively.

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Note 18 - Contingent liabilities and concentrations of risk

The Conference has guaranteed certain liabilities of local churches and schools payable to the Southern Union Revolving Fund. These loans were used to acquire certain assets that are included within church and school properties in Note 7. (Some of these properties are recorded as collateral for some of these loans.) The total balance due on these loans was \$2,956,910, \$2,629,729, \$2,500,056, \$1,905,516, and \$1,600,379 at December 31, 2020, 2019, 2018, 2017, and 2016, respectively. Principal and interest payments on these loans are scheduled to be made by the local churches or schools. At December 31, 2016, one school was delinquent on their payment schedule.

The Organizations operate the ABC which receives most of its revenue from sales of merchandise. It is subject to the effect of economic trends that may decrease the ability of customers to purchase its merchandise. Also, it purchases most of its inventory from two major suppliers; Pacific Press Publishing Association and Worthington Foods. There is a risk that suppliers' pricing and product decisions could conflict with the ABC's sales objectives. The ABC was sold in 2018. See Note 1 for additional details.

The Organizations operate Camp Alamisco on land that is leased from a utility company. The current lease agreement is dated April 1, 2000, and is for a term of 30 years. The lease contains a cancellation clause that allows either party to terminate the lease by giving a twelve-month's advance notice in writing.

The Organizations maintain its cash accounts primarily in banks that operate nationwide. The total cash balances are insured by the FDIC up to \$250,000 per bank. The Organization held cash balances on two banks at December 31, 2020 and 2019, which exceeded the balance insured by the FDIC by \$4,542,714 and \$1,679,134, \$220,452 and \$1,182,298, \$1,182,298 and \$166,127, \$2,501,878 and \$219,208, and \$2,344,424 and \$319,475, for 2020, 2019, 2018, 2017, and 2016, respectively.

The Organizations received most of their revenue in the form of contributions from members living within its territory. The amount of contributions are subject to economic conditions that could cause loss of income among church members. The amount of contributions could also be subject to decrease if any significant number of individuals cease to be active members.

Note 19 - Basis of special presentation

The accompanying combined unconsolidated financial statements do not include any accounts or activity of, or investment in, Bass Memorial Academy, which is a related entity controlled by the Conference. The accompanying financial statements include the cost of land that is owned by the Association, but which is used by this subsidiary entity. Compliance with FASC 958-810 would require a consolidated statement when presenting complete financial statements of the Organizations.

The Organizations believe this special presentation is useful to analyze the financial statements of the Organizations, and not consolidating Bass Memorial Academy.

Note 20 - Contributed services - subsidized audit costs

The Organizations use the services of General Conference Auditing Service to perform the annual audit of their financial statements. The cost of these services, stated above as \$64,669, \$87,187, \$65,623, \$59,971, and \$77,194 for 2020, 2019, 2018, 2017, and 2016, respectively, is paid 50% by North American Division and 50% by the Southern Union Conference. The amount recognized as subsidy revenue is also recognized and recorded as administrative expense.

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Note 21 - Endowment net assets

<u>Composition of endowments</u>	Committee Designated	Temporarily Restricted	Permanently Restricted	Total Donor Restricted
Donor-restricted endowments	\$ -	39,377	33,518	72,895
Committee-designated endowments	2,720,444	-	-	2,720,444
Total endowments as of December 31, 2020	<u>\$ 2,720,444</u>	<u>39,377</u>	<u>33,518</u>	<u>2,793,339</u>
Donor-restricted endowments	\$ -	35,601	33,518	69,119
Committee-designated endowments	1,951,762	-	-	1,951,762
Total endowments as of December 31, 2019	<u>\$ 1,951,762</u>	<u>35,601</u>	<u>33,518</u>	<u>2,020,881</u>
Donor-restricted endowments	\$ -	30,125	33,518	63,643
Committee-designated endowments	729,638	-	-	729,638
Total endowments as of December 31, 2018	<u>\$ 729,638</u>	<u>30,125</u>	<u>33,518</u>	<u>793,281</u>
Donor-restricted endowments	\$ -	29,505	33,518	96,541
Committee-designated endowments	770,745	-	-	770,745
Total endowments as of December 31, 2017	<u>\$ 770,745</u>	<u>29,505</u>	<u>33,518</u>	<u>867,286</u>
Donor-restricted endowments	\$ -	40,119	33,518	73,637
Committee-designated endowments	687,736	-	-	687,736
Total endowments as of December 31, 2016	<u>\$ 687,736</u>	<u>40,119</u>	<u>33,518</u>	<u>761,373</u>

Changes in endowment net assets for the year ended December 31, 2020

	Committee Designated	Temporarily Restricted	Permanently Restricted	2020 Total
Net assets, beginning of year	\$ 1,951,762	35,601	33,518	2,020,881
Endowment donations	606,505	-	-	606,505
Investment interest	93,519	4,162	-	97,681
Unrealized gains (losses)	48,290	-	-	48,290
Released from restrictions	386	(386)	-	-
Appropriation of endowment assets for expenditure	(386)	-	-	(386)
Transfers	20,368	-	-	20,368
Endowment net assets, end of year	<u>\$ 2,720,444</u>	<u>39,377</u>	<u>33,518</u>	<u>2,793,339</u>

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Note 21 - Endowment net assets (continued)

Changes in endowment net assets for the year ended December 31, 2019

	<u>Committee Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2019 Total</u>
Net assets, beginning of year	\$ 729,638	30,125	33,518	793,281
Endowment donations	797,195	-	-	797,195
Investment interest	34,192	2,468	-	36,660
Unrealized gains (losses)	72,766	-	-	72,766
Realized gains (losses)	68,138	-	-	68,138
Released from restrictions	(2,487)	3,008	-	521
Other expenses	(10)	-	-	(10)
Appropriation of endowment assets for expenditure	(962)	-	-	(962)
Transfers	253,292	-	-	253,292
Endowment net assets, end of year	<u>\$ 1,951,762</u>	<u>35,601</u>	<u>33,518</u>	<u>2,020,881</u>

Changes in endowment net assets for the year ended December 31, 2018

	<u>Committee Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018 Total</u>
Net assets, beginning of year	\$ 770,745	29,505	33,518	833,768
Investment interest	845	915	-	1,760
Unrealized gains (losses)	(69,443)	-	-	(69,443)
Released from restrictions	42,786	(295)	-	42,491
Appropriation of endowment assets for expenditure	(15,295)	-	-	(15,295)
Endowment net assets, end of year	<u>\$ 729,638</u>	<u>30,125</u>	<u>33,518</u>	<u>793,281</u>

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Note 21 - Endowment net assets (continued)

Changes in endowment net assets for the year ended December 31, 2017

	<u>Committee Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>
Net assets, beginning of year	\$ 687,736	40,119	33,518	761,373
Investment interest	-	667	-	667
Unrealized gains (losses)	93,009	-	-	93,009
Realized gains (losses)	11,281	(11,281)	-	-
Appropriation of endowment assets for expenditure	(21,281)	-	-	(21,281)
Endowment net assets, end of year	<u>\$ 770,745</u>	<u>29,505</u>	<u>33,518</u>	<u>833,768</u>

Changes in endowment net assets for the year ended December 31, 2016

	<u>Committee Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>
Net assets, beginning of year	\$ 647,671	39,672	33,518	720,861
Investment interest	976	853	-	1,829
Unrealized gains (losses)	41,110	-	-	41,110
Released from restrictions	3,386	(406)	-	2,980
Appropriation of endowment assets for expenditure	(5,407)	-	-	(5,407)
Endowment net assets, end of year	<u>\$ 687,736</u>	<u>40,119</u>	<u>33,518</u>	<u>761,373</u>

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Note 21 - Endowment net assets (continued)

Composition of endowment net assets with donor restrictions

Net assets with permanent donor restrictions

Portion of perpetual endowments to be retained permanently,
by donor stipulation
Total endowment assets classified as permanently restricted net assets

	2020	2019	2018	2017	2016
	Total	Total	Total	Total	Total
	\$ 33,518	33,518	33,518	33,518	33,518
	<u>\$ 33,518</u>	<u>33,518</u>	<u>33,518</u>	<u>33,518</u>	<u>33,518</u>

Net assets with temporary donor restrictions

Portion of perpetual endowments
with purpose restrictions
Total endowment assets classified as
temporarily restricted net assets

	\$ 39,377	35,601	30,125	29,505	40,119
	<u>\$ 39,377</u>	<u>35,601</u>	<u>30,125</u>	<u>29,505</u>	<u>40,119</u>

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Note 22 – Liquidity and availability

	<u>2020</u>		<u>2019</u>		<u>2018</u>
Financial assets, at year-end*	\$15,111,972	**	12,419,667	**	10,901,993
Less those unavailable for general expenditures within one year, due to:					
<u>Contractual or donor-imposed restrictions:</u>					
Cash held for agency funds	(49,900)		(55,900)		(55,900)
Notes and loans receivable, noncurrent portion (Note 8)	(452,268)		(384,577)		(618,542)
Restricted by donor for permanent endowment (Note 12)	(438,759)		(438,759)		(438,759)
Restricted by donor with time or purpose restrictions (Note 12)	(2,909,327)		(2,371,024)		(2,013,348)
Assets held for split-interest agreements, excluding land and buildings (Note 3 & 17)	(239,602)		(266,364)		(266,919)
<u>Board designations:</u>					
Funds allocated for specific operating purposes	-		-		-
Funds allocated for future plant acquisitions	(1,544,286)		(1,439,797)		(1,460,758)
Funds allocated for other funds liquidity	(2,882,343)		(2,138,687)		(896,806)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,595,487</u>		<u>5,324,559</u>		<u>5,150,961</u>

* Total assets, less nonfinancial assets (e.g. PPE, inventory, prepaids)

**Calculation of financial assets at year-end:

	<u>2020</u>		<u>2019</u>		<u>2018</u>
Total assets	\$39,613,804		36,563,705		35,107,121
Plant assets	(24,288,613)		(23,971,919)		(23,970,764)
Inventory/prepaids	(213,219)		(172,119)		(234,364)
Financial assets at year-end	<u>\$ 15,111,972</u>		<u>12,419,667</u>		<u>10,901,993</u>

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Note 23 - Schedule of changes in net assets - ABC

	2020	Percent	2019	Percent	2018*	Percent	2017	Percent	2016	Percent
	Total	of Sales	Total	of Sales	Total	of Sales	Total	of Sales	Total	of Sales
<u>Revenue from operations</u>										
Net sales	\$ -	0.00%	-	0.00%	243,391	100%	459,274	100%	506,674	100%
Less: cost of goods sold	-	0.00%	-	0.00%	(285,128)	-117.15%	(352,601)	-76.77%	(419,613)	-82.82%
Gross profit on sales	-	0.00%	-	0.00%	(41,737)	-17.15%	106,673	23.23%	87,061	17.18%
Finance charges	-	0.00%	-	0.00%	307	0.13%	899	0.20%	570	0.11%
Miscellaneous income	-	0.00%	-	0.00%	315	0.13%	344	0.07%	2,814	0.56%
Gross revenue from operations	-	0.00%	-	0.00%	(41,115)	-16.89%	107,916	23.50%	90,445	17.85%
<u>Operating expenses</u>										
Sales expense	-	0.00%	-	0.00%	101,562	41.73%	51,462	11.21%	49,594	9.79%
Administrative expense	-	0.00%	-	0.00%	-	0.00%	99,902	21.75%	99,053	19.55%
Total operating expense	-	0.00%	-	0.00%	101,562	41.73%	151,364	32.96%	148,647	29.34%
Net revenue from operations	-	0.00%	-	0.00%	(142,677)	-58.62%	(43,448)	-9.46%	(58,202)	-11.49%
<u>Non-operating activity</u>										
Subsidies received	-	0.00%	-	0.00%	55,876	22.96%	25,000	5.44%	25,000	4.93%
Net non-operating activity	-	0.00%	-	0.00%	55,876	22.96%	25,000	5.44%	25,000	4.93%
Increase (decrease) in net assets	-		-		(86,801)		(18,448)		(33,202)	
Net assets at beginning of year	-		-		86,801		105,249		138,451	
Net assets at end of year	<u>\$ -</u>		<u>-</u>		<u>-</u>		<u>86,801</u>		<u>105,249</u>	

*At June 1, 2018, the ABC was sold to the Kentucky-Tennessee Conference of Seventh-day Adventists. See Note 1 for additional details.

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Note 24 - Conference working capital and liquidity

In order that adequate financial resources will be available for the sound and effective operation of all organizations, the Seventh-day Adventist denominational policy recommends organizations maintain specified levels of working capital and liquidity. This footnote summarizes the academy's operating fund working capital and liquidity as compared to the policy recommendation stated in the *North American Division of the General Conference of Seventh-day Adventists Working Policy and the Seventh-day Adventist Accounting Manual*.

	2020	2019	2018	2017	2016
	Total	Total	Total	Total	Total
<u>Working capital</u>					
Total current assets	\$ 10,293,647	8,445,327	8,074,910	7,471,021	7,190,747
Total current liabilities	(2,836,978)	(1,206,853)	(1,257,284)	(1,072,269)	(1,000,552)
Actual working capital	7,456,669	7,238,474	6,817,626	6,398,752	6,190,195
Recommended working capital**	5,545,533	4,900,670	4,611,378	3,899,354	3,389,027
Working capital excess (deficit)	<u>\$ 1,911,135</u>	<u>2,337,804</u>	<u>2,206,247</u>	<u>2,499,398</u>	<u>2,801,167</u>
Percent of recommended working capital	<u>134.46%</u>	<u>147.70%</u>	<u>147.84%</u>	<u>164.10%</u>	<u>182.65%</u>
Current ratio	<u>3.63:1</u>	<u>7:1</u>	<u>6.42:1</u>	<u>6.97:1</u>	<u>7.19:1</u>
<u>Liquidity</u>					
Cash	\$ 5,107,861	2,364,419	1,637,848	2,983,168	2,744,073
Accounts receivable - church remittances	1,381,294	1,648,351	1,577,493	1,327,430	1,255,392
Cash held for agency	49,900	55,900	55,900	55,900	55,900
Total liquid assets	<u>6,539,055</u>	<u>4,068,670</u>	<u>3,271,241</u>	<u>4,366,498</u>	<u>4,055,365</u>
Current liabilities	(2,836,978)	(1,206,853)	(1,257,284)	(1,072,269)	(1,000,552)
Capital function net assets	-	-	-	-	(113,654)
Temporarily restricted net assets	(2,820,627)	(2,283,737)	(1,944,057)	(1,590,721)	(1,086,199)
Total commitments	<u>(5,657,605)</u>	<u>(3,490,590)</u>	<u>(3,201,341)</u>	<u>(2,662,990)</u>	<u>(2,200,405)</u>
Liquid assets surplus (deficit)	<u>\$ 881,450</u>	<u>578,080</u>	<u>69,900</u>	<u>1,703,508</u>	<u>1,854,960</u>
Percent liquid assets to commitments	<u>115.58%</u>	<u>116.56%</u>	<u>102.18%</u>	<u>163.97%</u>	<u>184.30%</u>
<u>**Calculation of recommended working capital</u>					
25% of Conference unrestricted income*	\$ 2,602,772	2,469,787	2,528,155	2,193,186	2,177,788
Long term liabilities of the operating fund	122,134	147,146	139,166	115,447	125,040
Temporarily restricted net assets*	<u>2,820,627</u>	<u>2,283,737</u>	<u>1,944,057</u>	<u>1,590,721</u>	<u>1,086,199</u>
Total recommended working capital	<u>\$ 5,545,533</u>	<u>4,900,670</u>	<u>\$ 4,611,378</u>	<u>3,899,354</u>	<u>\$ 3,389,027</u>

* Excludes temporarily restricted net assets that are associated with readily identifiable long-term assets and locally-funded employee cost recovery revenue.

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Note 25 - ABC working capital and liquidity	2020*	2019*	2018*	2017	2016
	Total	Total	Total	Total	Total
<u>Working capital</u>					
Total current assets	\$ -	-	-	120,533	120,533
Total current liabilities	-	-	-	(15,284)	(15,284)
Actual working capital	-	-	-	105,249	105,249
Recommended working capital**	-	-	-	108,940	108,940
Working capital excess (deficit)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(3,691)</u>	<u>(3,691)</u>
Percent of recommended working capital	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>96.61%</u>	<u>96.61%</u>
Current ratio	<u>-</u>	<u>-</u>	<u>-</u>	<u>7.89:1</u>	<u>7.89:1</u>
<u>Liquidity</u>					
Cash	-	-	-	11,593	11,593
Total liquid assets	-	-	-	11,593	11,593
Total commitments	-	-	-	(15,284)	(15,284)
Liquid assets surplus (deficit)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(3,691)</u>	<u>(3,691)</u>
Percent liquid assets to commitments	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>75.85%</u>	<u>75.85%</u>
<u>**Calculation of recommended working capital</u>					
ABC accounts receivable, net	-	-	-	13,190	13,190
ABC inventory	-	-	-	95,750	95,750
Total recommended working capital	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>108,940</u>	<u>108,940</u>

* At June 1, 2018, the ABC was sold to the Kentucky-Tennessee Conference of Seventh-day Adventists. See Note 1 for additional details.

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Note 26 – Prior period adjustment

During the year ended December 31, 2016, the Organizations discovered errors in recording the addition of properties owned by the Association. These errors resulted in understatement of total assets and net assets at January 1, 2016, and understatement of the financial activity for the year ended December 31, 2016. Accordingly, the financial statements as of and for the year ended December 31, 2016 have been restated to correct this error. The effects of the prior period adjustment were to increase land, building, and equipment, total assets, unrestricted net assets, and total net assets by \$85,000 at January 1, 2016; and to increase the net change from plant operations, the net change to unrestricted net assets, and the net change to total assets by \$85,000 at December 31, 2016.

Note 27 – Paycheck Protection Program Loan

The Organizations obtained a Paycheck Protection Program (PPP) loan in April 2020 totaling \$1,276,800 (Note 10) with a fixed interest rate of 1%. Loan payments are scheduled to begin in October 2021. In accordance with PPP provisions, the Organizations have requested for the loan balance to be forgiven.

On January 13, 2021, the Organizations received full forgiveness for a loan obtained under the PPP in April 2020. The forgiven amount is \$1,276,800 which has been recorded as revenue in 2021.

Note 28 – COVID-19 impact

The COVID-19 outbreak in the United States has caused disruption of operations through mandated and voluntary closings of many businesses and non-profits, various “stay at home” orders, and significant unemployment. COVID-19’s impact on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on our church members’ employment and related giving patterns, employees, vendors, churches, and affiliated entities, all of which are uncertain and cannot be predicted. Therefore, while the Organizations expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.