

**General Synod of the
Associate Reformed Presbyterian Church
Financial Statements
for the years ended
December 31, 2008 and 2007**

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INDEPENDENT AUDITOR'S REPORT

The Board of Stewardship
General Synod of the Associate
Reformed Presbyterian Church

We have audited the accompanying statement of financial position of the General Synod of the Associate Reformed Presbyterian Church (the "Synod") as of December 31, 2008 and 2007, and the related statement of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

A significant portion of the Synod's revenues are derived from contributions that, by their nature, are not susceptible to accounting control prior to collection and initial entry in the accounting records. Accordingly, it was impracticable to extend our examination beyond the receipts recorded.

In our opinion, except for the effects of such adjustments, if any, that might have been determined to be necessary had the contributions referred to in the preceding paragraph been susceptible to satisfactory audit tests the financial statements referred to above present fairly, in all material respects, the financial position of the Synod as of December 31, 2008 and 2007, and the results of its operations and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles.

Millard & Moore, PA

Millard & Moore, PA
Greenville, South Carolina
June 12, 2009

**GENERAL SYNOD OF THE ASSOCIATE REFORMED PRESBYTERIAN CHURCH
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007**

	December 31	
	2008	2007
ASSETS		
Cash and cash equivalents	\$ 3,248,453	\$ 4,143,090
Accounts receivable	213,712	69,754
Prepaid expenses	11,622	127
Notes receivable (Note 5)	4,272,918	3,756,716
Investments, at market value	5,596,742	8,921,452
Property, plant and equipment (Note 2)	262,239	278,552
Trusts	11	11
	<u>13,605,697</u>	<u>17,169,702</u>
TOTAL ASSETS	\$ 13,605,697	\$ 17,169,702
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 25,980	\$ 108,452
Deferred revenue	88,534	188,826
Present value of gift annuities	115,011	144,463
	<u>229,525</u>	<u>441,741</u>
Total liabilities		
Net assets:		
Unrestricted	101,118	78,551
Temporarily restricted	6,540,374	8,400,099
Permanently restricted	8,511,817	8,340,721
	<u>15,153,309</u>	<u>16,819,371</u>
Unrealized (loss) on investment securities	(1,777,137)	(91,410)
	<u>13,376,172</u>	<u>16,727,961</u>
Total net assets		
TOTAL LIABILITIES AND NET ASSETS	\$ 13,605,697	\$ 17,169,702

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

**GENERAL SYNOD OF THE ASSOCIATE REFORMED PRESBYTERIAN CHURCH
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008 AND 2007**

	December 31	
	2008	2007
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues, gains and other support:		
Contributions	\$ 2,932,056	\$ 2,855,173
Income from investments	8,985	10,148
Other additions	116,797	126,271
Total unrestricted revenue	3,057,838	2,991,592
Expenses and losses:		
Operating		
General and administrative	499,134	551,972
Benevolent and benefit programs	8,051	10,605
Christian Education Ministries	222,192	215,720
Outreach North America	716,000	695,117
Institutional support	768,953	739,911
The Associate Reformed Presbyterian	104,941	101,489
World Witness (foreign missions)	716,000	695,117
Special allocations	0	80,000
Total expenses and losses	3,035,271	3,089,931
INCREASE IN UNRESTRICTED NET ASSETS	22,567	(98,339)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
General and administrative	(69,258)	39,246
Benevolent and benefit programs	(537,226)	395,985
Christian Education Ministries	14,200	52,949
Outreach North America	(859,172)	328,279
Investment and development	(432,432)	336,591
The Associate Reformed Presbyterian	22,995	1,269
Net unrealized gain on investments	(1,685,727)	(964,098)
Decrease in gift annuities	(1,308)	(8,643)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	(3,547,928)	181,578
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
General and administrative	164,372	209,827
Outreach North America	9,200	19,323
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	173,572	229,150
INCREASE IN NET ASSETS	(3,351,789)	312,389
NET ASSETS AT BEGINNING OF YEAR	16,727,961	16,415,572
NET ASSETS AT END OF YEAR	\$ 13,376,172	\$ 16,727,961

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

**GENERAL SYNOD OF THE ASSOCIATE REFORMED PRESBYTERIAN CHURCH
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008 AND 2007**

	December 31	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ (3,351,789)	\$ 312,389
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:		
Depreciation	0	0
Net unrealized gain on investments	20,514	25,490
Increase in accounts receivable	1,529,334	957,483
Increase in notes receivable	(143,958)	(20,503)
Decrease in prepaids	(516,202)	(434,568)
Increase in accounts payable	(82,472)	869
Decrease in deferred revenue	(100,291)	89,615
	(11,495)	(10,040)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(2,656,359)	920,735
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in PV of gift annuities	(29,452)	(6,817)
Purchase of investments (net of sales)	1,795,377	(1,735,981)
Purchase of property, plant, and equipment (net of disposal)	(4,203)	(15,349)
	1,761,722	(1,758,147)
NET CASH USED BY INVESTING ACTIVITIES	1,761,722	(1,758,147)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(894,637)	(837,412)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,143,090	4,980,502
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,248,453	\$ 4,143,090

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

GENERAL SYNOD OF THE ASSOCIATE REFORMED PRESBYTERIAN CHURCH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Synod (the "Organization") is the governing body for the Associate Reformed Presbyterian Church. The accompanying financial statements include the assets, liabilities, fund balances and financial activity of certain of the Synod's various restricted and unrestricted funds. Balances and transactions of other funds and related agencies, such as World Witness, Erskine College, Bonclarken, Due West Retirement Center and William H. Dunlap Retirement Center are not included in these financial statements.

Support and Expenses. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted 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 Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

Contributed Services. A substantial number of unpaid volunteers have made significant contributions of their time on behalf of the Synod's activities. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Use of Estimates. 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 on contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. At year end and throughout the year, the organization's cash balances were deposited in several banks. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents. The carrying amount of cash approximates its fair value.

Investments. Investments held in custodial funds are in Smith Barney Investments and Cornerstone Ministries stock. The Smith Barney Investments have varying degrees of market risk depending on the fund's investment objective. Investments held in the Gift Annuity Fund are invested with Cornerstone Management Inc. in a series of mutual funds with varying degrees of market risk depending on the fund's investment objective. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Credit and Market Risk. Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Organization's investments do not represent significant concentrations of market risk inasmuch as the Organization's investment portfolio is adequately diversified among issuers.

Vehicles and Office Equipment. Vehicles and office equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets and computed on the straight-line method.

Income Tax Status. The Synod is recognized as an organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Deferred Income.

Insurance. Results from accumulated rounding differences for individual payments versus consolidated payments and advance premium deposits.

Subscription Income. Results from the sale of subscriptions to *The Associate Reformed Presbyterian Magazine*. Sales of such subscriptions which apply to subsequent periods are deferred and recognized as income in the subscription year.

2. PROPERTY AND EQUIPMENT

The following shows the detail for net assets:

	<u>2008</u>	<u>2007</u>
Land	\$ 171,758	\$ 171,758
Buildings	301,713	301,713
Furniture and equipment	<u>102,805</u>	<u>109,732</u>
Total	576,276	583,203
Less accumulated depreciation	<u>314,037</u>	<u>304,651</u>
Net property, plant and equipment	\$ <u>262,239</u>	\$ <u>278,552</u>

Depreciation expense for the years ending December 31, 2008 and 2007, amounted to \$20,514 and \$25,490, respectively.

3. PENSION PLAN

The Synod has a noncontributory pension plan covering all regular salaried, ordained A.R.P. ministers, A.R.P. missionaries, and other professional lay employees of the Synod. Total contributions to the plan from all sources during 2008 totaled \$1,096,563 of which \$213,865 was contributed from the funds included in the accompanying financial statements. The Synod's policy is to fund the plan in amounts equal to or greater than the minimum level suggested by the consulting actuary. A comparison of accumulated plan benefits and plan net assets for the Synod's plan as of January 1, 2009, the date of the latest actuarial valuation, is presented below:

Actuarial present value of accumulated plan benefits

Vested benefits	
Active participants	\$ 14,707,543
Retirees/survivors	15,386,540
Terminated participants	<u>2,599,613</u>
Total vested benefits	32,693,696
Non-vested benefits	<u>3,746,753</u>
Total	<u>\$ 36,440,449</u>
Net assets available for benefits at December 31, 2008	<u>\$ 32,404,199</u>

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits is eight percent.

4. INTER-AGENCY TRANSACTIONS

During 2008, certain expenditures or grants were paid or transferred to other agencies of the Synod covered by the scope of this audit that are included in these financial statements. Accordingly, these amounts have been eliminated from the totals in the financial statements.

5. NOTES RECEIVABLE

	<u>2008</u>	<u>2007</u>
ONA Endowment Note		
The note has a variable rate of interest with a fixed payment of \$2,140.99 for 59 months and 1 final payment of the balance due in November 2010.	\$ 232,133	\$ 233,099
Manse Loans		
These loans have been made from General Synod's operating funds to various agencies and ministers. Loans are for durations of up to fifteen years with interest rates ranging from 5.00% to 7.50% interest. The carrying amounts of these notes approximates their fair value.	17,020	19,020
World Witness		
An open line of credit up to a maximum of \$300,000 has been made available to World Witness from the General Synod's operating funds. Interest is computed at the LIBOR rate as quoted in the Wall Street Journal on the first business day of each month with principal and interest due on demand on or before May 1, 2011.	200,000	50,000
Various Mortgage Notes to A.R.P. Churches		
These loans have been made from General Synod's Church Revolving loan fund with rates from 5.00% to 7.50% (median rate 5.25%)	<u>3,823,765</u>	<u>3,454,597</u>
Total Notes Receivable	<u>\$ 4,272,918</u>	<u>\$ 3,756,716</u>

6. INVESTMENTS

Long term investments are stated at market value and realized and unrealized gains and losses are reflected in the statement of activities. Investments as of December 31 are summarized below:

	2008		2007	
	Cost Value	Market Value	Cost Value	Market Value
Custodian Funds				
Smith Barney Investments	\$ 7,262,944	\$ 5,515,386	\$ 8,752,824	\$ 8,643,711
Cornerstone Ministries Investments, Inc.	11,250	11,250	124,995	124,995
Gift Annuity Funds				
Cornerstone Management, Inc.	<u>99,685</u>	<u>70,106</u>	<u>135,043</u>	<u>152,746</u>
Total Investments	<u>\$ 7,373,879</u>	<u>\$ 5,596,742</u>	<u>\$ 9,012,862</u>	<u>\$ 8,921,452</u>

7. SPLIT-INTEREST AGREEMENTS

The Organization administers a Gift Annuity Fund that provides for distributions to the grantor or other designated beneficiary during their lifetime. At the death of the beneficiary or beneficiaries, the remaining assets are available for the Organization's use. The assets in the Gift Annuity Fund totaled \$76,710 at December 31, 2008 and are reported at fair market value in the Organization's Statement of Financial Position. The present value of annuities payable to beneficiaries totaled \$115,011 and is recorded as a Liability in the Statement of Financial Position. On an annual basis, the Organization revalues the liability to the designated beneficiaries based on actuarial assumptions. The Organization also administers several Charitable Remainder Trusts. These trusts are recorded at a nominal value of \$1 each. At the end of the trust's term the remaining assets are distributed in accordance with the trust instrument.

8. SUBSEQUENT EVENTS

One account holder of the Gift Annuity Fund passed away during the first quarter of 2009. This event reduced the present value of the annuities payable from \$115,011 at December 31, 2008 to \$76,567 as of March 31, 2009. The assets in the Gift Annuity Fund at December 31, 2008, were \$76,710 and changed to \$75,617 at March 31, 2009.

9. RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.