

**RANCHO BERNARDO**  
**COMMUNITY PRESBYTERIAN CHURCH**  
**FINANCIAL STATEMENTS**  
**June 30, 2010**

**RANCHO BERNARDO COMMUNITY PRESBYTERIAN CHURCH**

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## Independent Auditor's Report

To the Board of Trustees  
Rancho Bernardo Community Presbyterian Church  
San Diego, California

We have audited the accompanying statement of financial position of the Rancho Bernardo Community Presbyterian Church as of June 30, 2010, and the related statements of activity and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Church's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Church's 2009 financial statements with our report dated October 28, 2009.

Except as discussed in the following paragraph, we conducted the 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 our audit provides a reasonable basis for our opinion.

Accounting principles generally accepted in the United States of America require that property and equipment be stated at cost less any related accumulated depreciation. As disclosed in Note 6 of the financial statements, the value of the original Church campus land is based on an appraisal completed in July 2001. The effect of this departure from accounting principles generally accepted in the United States of America on property and equipment, as well as net assets, is unknown.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the cost basis been available, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Rancho Bernardo Community Presbyterian Church as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deborah M. Brennan, CPA  
October 13, 2010

**RANCHO BERNARDO COMMUNITY PRESBYTERIAN CHURCH**  
**STATEMENT OF FINANCIAL POSITION**  
As of June 30, 2010  
(With Summarized Financial Information as of June 30, 2009)

	2010				2009	
	Ministry Budget Fund	Designated Funds	Plant Fund	Endowment Fund	Total	Total
<b>Assets</b>						
<b>Cash</b>						
Checking	\$ 207,846	\$ -	\$ -	\$ -	\$ 207,846	\$ 66,855
Money markets	709,029	-	-	65,922	774,951	811,486
Cash on hand	3,643	-	-	-	3,643	11,991
Total cash and equivalents	<u>920,518</u>	<u>-</u>	<u>-</u>	<u>65,922</u>	<u>986,440</u>	<u>890,332</u>
Certificates of deposit	681,748	-	-	-	681,748	959,158
Investments at fair market value	5,157	-	-	1,475,531	1,480,688	1,270,688
Interest in life income annuities	-	-	-	67,784	67,784	172,362
Trust income receivable	131,178	-	-	372,663	503,841	-
Inventories	45,716	2,310	-	-	48,026	42,418
Prepaid expenses and receivables	107,259	-	5,000	-	112,259	172,187
Total current assets	<u>1,891,576</u>	<u>2,310</u>	<u>5,000</u>	<u>1,981,900</u>	<u>3,880,786</u>	<u>3,507,145</u>
<b>Property and equipment</b>						
Land - main campus at 2001 appraised value	-	-	960,000	-	960,000	960,000
Land - Porch at cost	-	-	1,617,620	-	1,617,620	1,591,857
Buildings	-	-	9,365,556	-	9,365,556	9,365,556
Improvements	-	-	466,293	-	466,293	466,293
Furniture, fixtures and equipment	-	-	1,587,359	-	1,587,359	1,517,484
Vehicles	-	-	103,224	-	103,224	103,224
Construction-in-progress	-	-	-	-	-	3,943
Total property and equipment	-	-	14,100,052	-	14,100,052	14,008,357
Less accumulated depreciation	-	-	(3,775,590)	-	(3,775,590)	(3,406,032)
Net property and equipment	-	-	10,324,462	-	10,324,462	10,602,325
Due to (from)	(1,588,650)	804,563	808,471	(24,384)	-	-
Total assets	<u>\$ 302,926</u>	<u>\$ 806,873</u>	<u>\$ 11,137,933</u>	<u>\$ 1,957,516</u>	<u>\$ 14,205,248</u>	<u>\$ 14,109,470</u>
<b>Liabilities</b>						
Accounts payable	\$ 66,300	\$ 886	\$ 2,407	\$ -	\$ 69,593	\$ 74,917
Accrued vacation	112,518	-	-	-	112,518	114,829
Accrued payroll	110,329	-	-	-	110,329	94,307
Deferred income and deposits	13,779	3,300	-	-	17,079	24,942
Total liabilities	<u>302,926</u>	<u>4,186</u>	<u>2,407</u>	<u>-</u>	<u>309,519</u>	<u>308,995</u>
<b>Net Assets</b>						
Unrestricted	-	455,689	10,324,462	1,011,621	11,791,772	11,523,275
Temporarily restricted	-	346,998	811,064	38,132	1,196,194	1,429,538
Permanently restricted	-	-	-	935,672	935,672	847,662
Total net assets	<u>-</u>	<u>802,687</u>	<u>11,135,526</u>	<u>1,985,425</u>	<u>13,923,638</u>	<u>13,800,475</u>
Total liabilities and net assets	<u>\$ 302,926</u>	<u>\$ 806,873</u>	<u>\$ 11,137,933</u>	<u>\$ 1,985,425</u>	<u>\$ 14,233,157</u>	<u>\$ 14,109,470</u>

See accompanying notes and accountant's audit report

**RANCHO BERNARDO COMMUNITY PRESBYTERIAN CHURCH**  
**STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS**  
For the Year Ended June 30, 2010  
(With Summarized Financial Information as of June 30, 2009)

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Revenue and Support</b>					
Contributions - other (Note 1)	\$ 1,984,547	\$ 475,645	\$ -	\$ 2,460,192	\$ 2,914,655
Pledges received for current year	2,021,942	-	-	2,021,942	1,119,333
Fees, tuition, rent, sales and other (Note 1)	1,156,600	-	-	1,156,600	1,138,847
Interest and dividends	30,288	8,269	-	38,557	90,825
Pledges received for next year	-	71,325	-	71,325	174,292
Distributions from endowed gifts	25,303	9,500	-	34,803	11,459
Unrealized gain (loss) in fair market value	73,343	46,106	-	119,449	(372,927)
Unrealized gain (loss) in future annuity interests	-	17,690	-	17,690	(66,230)
Total revenue and support	<u>5,292,023</u>	<u>628,535</u>	<u>-</u>	<u>5,920,558</u>	<u>5,010,254</u>
<b>Net Assets Released From Restrictions</b>	<u>773,869</u>	<u>(773,869)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>					
Compensation (except preschool)	2,251,305	-	-	2,251,305	2,361,339
Preschool including compensation	814,360	-	-	814,360	743,481
Congregational ministries	656,299	-	-	656,299	506,393
Facilities and maintenance	602,668	-	-	602,668	604,803
Missions and benevolence	521,006	-	-	521,006	548,456
Depreciation	406,628	-	-	406,628	402,264
Administration and finance	344,618	-	-	344,618	320,566
Food service	114,925	-	-	114,925	117,180
Worship, music and arts	104,529	-	-	104,529	104,499
Fundraising costs	8,966	-	-	8,966	5,823
Total expenditures	<u>5,825,304</u>	<u>-</u>	<u>-</u>	<u>5,825,304</u>	<u>5,714,804</u>
Net income (loss)	240,588	(145,334)	-	95,254	(704,550)
Transfer to (from)	-	(88,010)	88,010	-	-
<b>Net Assets - Beginning of Year</b>	<u>11,523,275</u>	<u>1,429,538</u>	<u>847,662</u>	<u>13,800,475</u>	<u>14,505,025</u>
<b>Net Assets - End of Year</b>	<u>\$ 11,763,863</u>	<u>\$ 1,196,194</u>	<u>\$ 935,672</u>	<u>\$ 13,895,729</u>	<u>\$ 13,800,475</u>

See accompanying notes and accountant's audit report

**RANCHO BERNARDO COMMUNITY PRESBYTERIAN CHURCH**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2010  
(With Summarized Financial Information as of June 30, 2009)

	2010	2009
<b>Cash Flows From Operating Activities</b>		
Net income (loss)	\$ 95,254	\$ (704,550)
Adjustments to reconcile net income to cash		
Depreciation	406,628	402,264
(Increase) decrease in inventories	(5,608)	11,985
(Increase) decrease in prepaid expenses and receivables	(443,913)	28,160
(Decrease) in payables	(5,324)	(8,139)
Increase in accrued payroll and vacation	13,711	25,794
(Decrease) in deferred income and deposits	(7,863)	(4,057)
	52,885	(248,543)
Net increase (decrease) in cash from operating activities		
<b>Cash Flows From Investing Activities</b>		
Decrease (increase) in certificates of deposit	277,410	(539,492)
(Increase) decrease in marketable securities	(210,000)	343,711
Decrease in future interest in charitable annuities	104,578	66,231
Investment in property and equipment	(141,218)	(184,114)
Property and equipment no longer in service	12,453	38,669
	43,223	(274,995)
Net increase (decrease) in cash from investing activities		
Net increase (decrease) in cash	96,108	(523,538)
<b>Cash - Beginning of Year</b>	890,332	1,413,870
<b>Cash - End of Year</b>	\$ 986,440	\$ 890,332
<b>Supplementary Disclosures</b>		
Interest paid	\$ -	\$ -
Income taxes paid	4,058	3,920

See accompanying notes and accountant's audit report

**RANCHO BERNARDO COMMUNITY PRESBYTERIAN CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - ORGANIZATION AND ACCOUNTING METHOD**

The Rancho Bernardo Community Presbyterian Church, a California nonprofit corporation, is located in the Rancho Bernardo area of San Diego, California at 17010 Pomerado Road. It is affiliated with the Presbyterian Church, U.S.A., and has approximately 2,000 members. Member contributions are its main source of revenue.

Financial Statement Presentation

These financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Income is recorded when earned and expenses when incurred. Information regarding its financial position and activities are recorded in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As temporarily restricted net assets are used or the restrictions are otherwise released, they are transferred to the unrestricted net assets column on the statement of activity as "net assets released from restrictions." Certain items from prior year information have been reclassified for comparative purposes.

Fund Accounting

In order to observe the limitations and restrictions placed on resources available to the Church, the accounts are also maintained in accordance with the principles of fund accounting. This is a procedure by which resources for various purposes are classified for accounting and reporting into funds established according to their nature and purpose. Below is a brief description of each of the funds listed on the consolidated financial statements:

Ministry Budget Fund - This includes all the activities accounted for in the general ministry budget for the Church's general operations.

Designated Funds - This includes program funds created for specific purposes.

Plant Fund - This includes all the capitalized fixed assets of the Church. Also included is land and related improvements that were originally purchased to develop a multi-purpose center approximately two miles from the main campus. The activity for this is shown as the Porch Fund which was formerly referred to as South Campus.

Endowment Fund - This is used to account for income received by the Church from investments where the principle is permanently restricted, temporarily restricted, acting as restricted or unrestricted. The income generated by the fund is eligible for use by the Church. Temporarily restricted funds are restricted for a particular purpose or time period. Also included in the endowment fund are certain unrestricted donations that the Church management has chosen to treat as restricted. These are referred to as acting as restricted.

Cash Equivalents

According to accounting principles generally accepted in the United States of America, certificates of deposits and securities with original maturities of three months or less are to be classified as cash equivalents. Certificates of deposits and securities with original maturities over three months are considered short-term investments rather than cash. All of the Church's certificates of deposit are treated as short-term investments.

**RANCHO BERNARDO COMMUNITY PRESBYTERIAN CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of 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.

Contributions

Contributions received by the Church are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Pledges are considered intentions to give that are not unconditional or legally binding. Therefore no receivables are recorded for unpaid pledge income. Pledge income is recorded in the year the funds are actually received. Pledges received for the next fiscal year are recorded as temporarily restricted funds in the current year. Donated legal services of \$15,746 were recorded in these financial statements.

Accounting principles generally accepted in the United States of America require that donated items for the resale shop be recorded as donations of inventory. When donated merchandise is sold, the inventory is reduced and recorded as cost of sales. The cost of sales generally equals the sales price.

Investments

Investments in equity securities with readily determinable fair market values are reported at fair market value with unrealized gains and losses included in the statement of activity and changes in net assets.

Income Taxes

The Church is exempt from income taxes under both the Internal Revenue Code and State of California as a religious organization. Income from activities unrelated to the exempt purpose of the Church is taxable. Rental income from Verizon Wireless of \$19,817 for a cell phone tower created tax expense of \$4,174 for the year ended June 30, 2010.

**NOTE 2 - INVESTMENTS**

Investments shown on the balance sheet mainly consist of certificates of deposits from various banks and the New Covenant Balanced Growth Fund, a mutual fund managed by the New Covenant Trust Company, N.A. and Presbyterian Church (U.S.A.) Foundation located in Jeffersonville, Indiana. The investments pay annual dividends as well as fluctuate in fair market value. Capital gain distributions are reinvested in the principle of the funds. Ordinary dividends are available for Church use. Dividends are generally distributed to either a money market account for future use or to a fund for the specific purpose of the designation. The mutual funds are valued in total on the financial statements at the fair market value as of June 30<sup>th</sup> of each year. The permanently restricted funds are shown at the donated value and any realized and unrealized gains and losses are reported in the temporarily restricted fund.

**RANCHO BERNARDO COMMUNITY PRESBYTERIAN CHURCH  
NOTES TO THE FINANCIAL STATEMENTS**

Generally accepted accounting principles in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1) and the lowest priority to unobservable inputs (level 3). The three levels are described below:

**Level 1.** Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that are readily accessible.

**Level 2.** Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, inputs other than quoted prices that are observable for the asset, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3.** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Based on the above guidelines, these investments are considered Level 1 type investments based on the ability to obtain quoted prices in active markets for identical assets.

The investments in marketable securities as of June 30, 2010 are summarized as follows:

	Level	Fair Value
New Covenant Balanced Growth mutual fund	1	\$ 1,475,531
Vanguard Primecap Fund Investor mutual fund	1	5,157
Total investments		\$ 1,480,688

**NOTE 3 - INTEREST IN CHARITABLE LIFE INCOME PLAN ANNUITIES**

The Rancho Bernardo Community Presbyterian Church has been named as the beneficiary of various life income plans established by donors through the Presbyterian Foundation. The interest in life income annuities shown on the balance sheet represents the estimated discounted value of the Church's eventual share of each life income plan. \$67,784 is an estimate of lump-sum payments that the Church may receive in the future. As the funds become closer to a possible distribution date, the future interest reduces. During the year ended June 30, 2010 the Church received \$121,249 from these annuity plans as the result of the deaths of two donors. The Church's estimated future interest in the remaining annuities increased by \$17,690 for the year ended June 30, 2010.

**NOTE 4 - ACCOUNTS RECEIVABLE**

The accounts receivable consists of \$496,884 that the Church estimates it will receive as beneficiary of an estate plus \$4,363 for overpaid worker's compensation insurance premiums and \$2,594 for fees due to the Church for services provided. The Church's portion of the trust

**RANCHO BERNARDO COMMUNITY PRESBYTERIAN CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

estate consists of a home appraised at \$250,000 plus stock valued at approximately \$2,000 and cash of about \$300,000. The value of the trust estate was discounted by 10% for expenses of administration and costs associated with disposition of the home. The Church received approximately \$200,000 in the fall of 2010 and anticipates receiving the additional funds by December 2010.

**NOTE 5 - TEMPORARILY RESTRICTED FUNDS AT THE PRESBYTERIAN FOUNDATION**

On June 30, 2010 the Presbyterian Foundation held two temporarily restricted funds for the benefit of the Rancho Bernardo Community Presbyterian Church: the Carroll and Jo Ann Badeau Memorial Fund and a fund known as Anonymous Fund No. 81. Because these are owned by the Presbyterian Foundation, these are not shown on the Church's Statement of Financial Position.

The Carroll and Jo Ann Badeau Memorial Fund was established in 2001 with a contribution of \$260,802. The ordinary earnings of this fund may be used for any purpose determined by the Session of the Church. Ten percent of the principal may be used if needed to further the mission of the Church as determined by the Session of the Church. During the year ended June 30, 2010, \$24,549 was distributed from the principle of the Badeau fund to support the Church's mission goals. No principle was expended during the year ended June 30, 2009. Dividends of \$5,678 and \$7,632 were used for the operating budget in the years ended June 30, 2010 and 2009 respectively. The fair market value of the fund was \$190,048 as of June 30, 2010 and \$197,192 as of June 30, 2009.

The Anonymous Fund No. 81 was established in January 2004 with a contribution of \$6,422. Income and up to twenty percent of the principle of the fund may be withdrawn during any twelve-month period to be used as the Session of the Church determines for the support of congregational requirements or furtherance of the Church's mission goals. \$754 of principle was disbursed from this fund to support the church's mission goals in 2010 and no principle was expended during the year ended June 30, 2009. Dividends of \$68 and \$96 were used for the operating budget in the years ended June 30, 2010 and 2009 respectively. The fair market value of the fund was \$2,911 at June 30, 2010 and \$3,326 at June 30, 2009.

**NOTE 6 - UNREALIZED GAINS AND LOSSES IN MARKET VALUE OF INVESTMENTS**

The investments of the Church are shown in total at their fair market value as of the fiscal year end. The changes in the market value of the investments for the year are reported as unrealized gains or losses. During the years ended June 30, 2010, the unrealized value of the investments increased \$119,449. During the year ended June 30, 2009 the unrealized value of the investments decreased in value (\$372,927).

**NOTE 7 - PROPERTY AND EQUIPMENT**

The buildings and real property of the Rancho Bernardo Community Presbyterian Church are titled in the name of the Presbytery of San Diego. As an affiliated Church of the Presbytery, these items are included on the statement of financial position of the Rancho Bernardo Community Presbyterian Church. However, as part of the total assets of the Presbytery, the real property shown on these financial statements may be considered for collateral on loans entered into by the Presbytery of San Diego and as collateral on loans of the Rancho Bernardo Community Presbyterian Church.

**RANCHO BERNARDO COMMUNITY PRESBYTERIAN CHURCH**  
**NOTES TO THE FINANCIAL STATEMENTS**

The Church completed two major renovation and expansion projects of the main campus in July 2002. As a result of these two projects, the original buildings and older furniture and equipment were determined to be either fully depreciated or no longer in service. The actual cost of the renovations, expansions and new furniture and equipment beginning in 1993 are all capitalized in the financial statements and are being depreciated over their estimated lives. Only the cost of the land of the main campus is shown at an appraised value of \$960,000, based on an appraisal done in July 2001.

During the year ended June 30, 2001 the Church acquired additional land approximately two miles south of the main campus with the intent of building a multi-purpose center on the property. Land and related improvements are capitalized at cost. During the year ended June 30, 2007 it was decided not to build the multi-purpose center on this property. The Church is in the process of reallocating a portion of these donations to other uses and organizations, based on the requests of the original donors and the availability of funds. Some donors have also requested and will receive a refund of their donations as funds become available. Subsequent to these financial statements, in the fall of 2010 approximately \$426,000 was transferred to other Church funds; \$103,000 was donated to other charitable organizations and \$68,000 was refunded to donors. The Church expects to eventually sell the improved land and reallocate additional funds at that time. In the meantime the Church continues to incur costs for consultants, taxes and to maintain the land as required by the City of Poway. As of June 30, 2010 the balance of remaining donations for this project was \$811,064 and these are held in a separate temporarily restricted fund. The total expended through June 30, 2010 for this project was \$1,949,363 including the land purchase of \$1,017,994. Improvements to the land have been added to the cost of the land on the Statement of Financial Position. Activity related to this project is reported on the Schedule of Activity and Changes in Net Assets for Porch on page 13.

**NOTE 8 - LEASE OBLIGATIONS**

The Church leases space for the Resale Shops in Poway, California under a lease that expires in June 2011. For the year ended June 30, 2010 rental expenses were \$116,224 plus common area maintenance (CAM) charges of \$26,880. During the year ended June 30, 2010 the Church disputed the CAM charges and withheld payment of \$19,690. In August of 2010 the Church and its landlord renewed the lease through July 2014 and came to an agreement that the withheld CAM charges would not be paid. These charges were included as expenses for the year ended June 30, 2010 and are included as a liability on the related statement of financial position. Future minimum rental payments required under the new operating lease are as follows:

For the years ending June 30:	
2011	\$ 121,748
2012	130,445
2013	140,317
2014	<u>149,306</u>
Total	<u>\$ 541,816</u>

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NOTES TO THE FINANCIAL STATEMENTS**

The Church has operating leases for various office equipment. Future equipment rental payments are due as follows:

For the years ending June 30:

2011	\$ 25,169
2012	22,777
2013	11,715
2014	<u>2,738</u>
Total	<u>\$ 62,400</u>

**NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2010</u>	<u>2009</u>
Missions and ministries	\$ 451,198	\$ 438,519
Prepaid contributions	122,808	148,897
Programs and general	94,809	106,732
Ministry budget	48,922	20,122
Equipment, facilities and Porch	52,939	55,146
Administration and other	<u>3,193</u>	<u>292</u>
Total	<u>\$ 773,869</u>	<u>\$ 769,708</u>

**NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available at year-end for the following purposes:

	<u>2010</u>	<u>2009</u>
Capital expansion for Porch	\$ 811,064	\$ 863,993
Missions and ministries	131,668	191,612
Programs	179,668	190,182
Gift annuities	67,784	172,363
Prepaid contributions	35,662	87,146
Endowed funds' deficiencies	<u>(29,652)</u>	<u>(75,758)</u>
Total	<u>\$ 1,196,194</u>	<u>\$ 1,429,538</u>

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NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of endowment funds, the income from which is available for the following purposes:

	<u>Donated Value</u>
Special gifts for any purpose	\$ 386,050
Knight for ministry budget	251,121
Anonymous for ministry budget	175,432
Cherrstrom for youth activities	102,827
Carey for office equipment and administration	<u>20,242</u>
Total	<u>\$ 935,672</u>

**NOTE 12 - ENDOWMENT FUND**

The endowment fund is administered by Session as delegated to the Administration and Finance Committee of the Church. It is administered in compliance with all applicable federal and state laws. The investment strategy is to emphasize total return including capital appreciation and dividend and interest income such that the real value of the funds are preserved or enhanced in order to provide adequate funds to sufficiently support designated programs and missions of the Church. All fund assets must be invested in liquid securities. Funds may be spent for mission/evangelism projects, Christian education projects and capital building/non-budgeted maintenance projects. Generally distributions have equaled the earned interest and ordinary dividends of those funds although the guidelines allow for a target spending rate of 5%. The endowment fund includes five restricted sub-funds invested in the New Covenant Balanced Growth fund by the New Covenant Trust Company, N.A. Three of these accounts have investment balances less than the original endowed gifts. Additional funds designated by Session as Acting as Restricted have sufficient balances to offset the deficiencies. Management believes that as the market recovers these deficient funds will return to a positive position and that distributions from these funds were deemed prudent by the Administration and Finance Committee. Additional information regarding the endowment fund of the Church is shown on pages 2 and 13 of these financial statements as well as in Notes 2, 3, 5, 9 and 10.

**NOTE 13 - RETIREMENT PLANS**

The pastors of the Church participate in a defined contribution retirement plan administered by the Board of Pensions of the Presbyterian Church, U.S.A. The Church contributed \$39,144 to this plan for the year ended June 30, 2010. Other eligible employees of the Church participate in a 403b retirement plan with administrative services provided by Innovative Pensions Strategy & Design and American Funds as the plan custodian. This is a defined contribution plan in which participants direct their plan investments within the parameters of the

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NOTES TO THE FINANCIAL STATEMENTS**

plan. The Church may contribute 2.5% to 5% of wages depending on eligibility and benefit elections made by the employees. The Church also may match employee contributions based on eligibility with an additional 2.5% to 5%. The Church's contribution vests annually over a four year period. The Church contributed \$58,972 to this retirement plan during the year ended June 30, 2010. The church has a fiduciary liability related to the 403B plan which had assets of \$785,817 as of June 30, 2010.

**NOTE 14 LEGAL MATTERS**

The Church is involved in a lawsuit regarding matters for which the Church believes it is not responsible. In the opinion of management and the Church's legal counsel, the cost of this matter should not exceed the Church's insurance limits or have a material effect on the financial statements.

**NOTE 15 - UNINSURED DEPOSITS**

At times the balances in Church bank accounts are greater than the applicable FDIC insurance limits. The Church has not experienced any losses in such accounts and management believes the risk of such a loss is minimal.

**NOTE 16 - SWIM & TENNIS CLUB AGREEMENT**

In conjunction with the 1993-1997 building expansion project, the Church entered into an agreement with its neighbor, the Rancho Bernardo Swim and Tennis Club, Inc. that extends until December 31, 2040. This agreement includes the right to improve and use the club's parking lot adjacent to the Church in exchange for paying for certain improvements to the Swim & Tennis Club property. The total cost of these improvements, recorded as an expense to the Church, was \$293,322.

**NOTE 17 - SUBSEQUENT EVENTS**

Events subsequent to June 30, 2010 through October 13, 2010, have been evaluated to determine if disclosure is necessary to keep the financial statements for the year ended June 30, 2010 from being misleading. All events considered necessary for disclosure are included in the related appropriate footnotes.

**RANCHO BERNARDO COMMUNITY PRESBYTERIAN CHURCH**  
**SCHEDULE OF ACTIVITY AND CHANGES IN NET ASSETS FOR ENDOWMENT FUNDS**

For the Year Ended June 30, 2010

(With Summarized Financial Information as of June 30, 2009)

	2010				2009	
	Unrestricted Operating Working	Acting As Restricted	Temporarily Restricted Endowment	Permanently Restricted Endowment	Total	Total
<b>Revenue</b>						
Contributions	\$ -	\$ 376,188	\$ -	\$ -	\$ 376,188	\$ -
Distributions from Presbyterian Foundation gifts	25,303	-	9,500	-	34,803	11,459
Dividends	14,494	-	8,269	-	22,763	34,023
Capital gain distributions	-	-	-	-	-	18,222
Unrealized gain (loss) in fair market value	-	73,185	46,106	-	119,291	(372,460)
Unrealized change in future interest of annuities	-	-	17,690	-	17,690	(66,230)
<b>Total revenue</b>	<u>39,797</u>	<u>449,373</u>	<u>81,565</u>	<u>-</u>	<u>570,735</u>	<u>(374,986)</u>
<b>Net Assets Released From Restrictions</b>	<u>48,922</u>	<u>-</u>	<u>(48,922)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>						
Total expenses	-	-	-	-	-	-
<b>Net income</b>	<u>88,719</u>	<u>449,373</u>	<u>32,643</u>	<u>-</u>	<u>570,735</u>	<u>(374,986)</u>
<b>Transfers</b>						
Transfer for bus & patio furniture	-	-	-	-	-	(43,247)
Transfer for Christmas eve	-	-	-	-	-	(8,000)
Transfer to plant fund for Microphones	(6,664)	-	-	-	(6,664)	-
Transfer Barkley annuity distribution	-	-	(88,010)	88,010	-	-
Transfer to ministry budget	(48,922)	(27,909)	-	-	(76,831)	(20,122)
Transfer of dividends to specific use church funds	-	-	(3,106)	-	(3,106)	(14,400)
<b>Total transfers</b>	<u>(55,586)</u>	<u>(27,909)</u>	<u>(91,116)</u>	<u>88,010</u>	<u>(86,601)</u>	<u>(85,769)</u>
<b>Net increase in net assets</b>	<u>33,133</u>	<u>421,464</u>	<u>(58,473)</u>	<u>88,010</u>	<u>484,134</u>	<u>(460,755)</u>
<b>Net Assets - Beginning of Year</b>	<u>32,789</u>	<u>496,326</u>	<u>96,605</u>	<u>847,662</u>	<u>1,473,382</u>	<u>1,934,137</u>
<b>Net Assets - End of Year</b>	<u>\$ 65,922</u>	<u>\$ 917,790</u>	<u>\$ 38,132</u>	<u>\$ 935,672</u>	<u>\$ 1,957,516</u>	<u>\$ 1,473,382</u>

See accompanying notes and accountant's audit report

**RANCHO BERNARDO COMMUNITY PRESBYTERIAN CHURCH**  
**SCHEDULE OF ACTIVITY AND CHANGES IN NET ASSETS FOR PORCH**  
For the Years Ended June 30, 2010 and Prior

	2010	2009	2008	2007	2006	2005	Prior Years	Total
<b>Revenue</b>								
Contributions - temporarily restricted	\$ 10,403	\$ 93,523	\$ 232,942	\$ 855,497	\$ 612,471	\$ 20,449	\$ -	\$ 1,825,285
Interest	-	-	-	2	310	-	-	312
Total revenue	<u>10,403</u>	<u>93,523</u>	<u>232,942</u>	<u>855,499</u>	<u>612,781</u>	<u>20,449</u>	<u>-</u>	<u>1,825,597</u>
<b>Expenses</b>								
Fundraising consultant	-	-	-	9,800	78,400	39,200	-	127,400
Fundraising communications, publicity and other	-	-	-	-	46,029	3,947	-	49,976
Engineering and other studies	-	-	-	-	-	-	17,540	17,540
Sports consultant	-	-	-	-	-	5,666	5,592	11,258
Miscellaneous	15,945	16,550	13,744	11,908	4,241	-	1,212	63,600
Interest	-	-	-	-	-	992	-	992
Costs of discontinued building	-	-	27,705	-	-	-	-	27,705
Total expenses	<u>15,945</u>	<u>16,550</u>	<u>41,449</u>	<u>21,708</u>	<u>128,670</u>	<u>49,805</u>	<u>24,344</u>	<u>298,471</u>
Excess revenue (deficit)	<u>(5,542)</u>	<u>76,973</u>	<u>191,493</u>	<u>833,791</u>	<u>484,111</u>	<u>(29,356)</u>	<u>(24,344)</u>	<u>1,527,126</u>
<b>Transfers out - for expenses</b>								
Fundraising - postage and refreshments	-	-	-	-	(2,336)	-	-	(2,336)
Meetings - refreshments	-	-	(41)	-	(1,197)	-	-	(1,238)
Total transfer for expenses	<u>-</u>	<u>-</u>	<u>(41)</u>	<u>-</u>	<u>(3,533)</u>	<u>-</u>	<u>-</u>	<u>(3,574)</u>
<b>Transfer out - property and equipment</b>								
Camera	-	-	-	-	(1,993)	-	-	(1,993)
<b>Transfers out - capitalized construction in progress</b>								
Road construction	-	-	-	-	(8,280)	(112,722)	(124,304)	(245,306)
Architect	(13,200)	(20,483)	(25,863)	(32,611)	(12,554)	(64,366)	(7,306)	(176,383)
Permits and fees	-	-	-	-	(8,880)	(3,780)	(28,872)	(41,532)
Site tests	-	-	-	-	-	(17,074)	(3,971)	(21,045)
Studies and planning	(6,530)	(16,305)	(15,927)	(12,486)	(36,973)	-	(9,921)	(98,142)
Engineering	-	-	-	-	(6,720)	(6,929)	-	(13,649)
Materials	-	-	-	-	(10,457)	-	-	(10,457)
Legal fees	(2,727)	-	-	-	-	-	(12,167)	(14,894)
Other	(3,306)	-	-	-	(2,616)	-	-	(5,922)
Total transfers for construction in progress	<u>(25,763)</u>	<u>(36,788)</u>	<u>(41,790)</u>	<u>(45,097)</u>	<u>(86,480)</u>	<u>(204,871)</u>	<u>(186,541)</u>	<u>(627,330)</u>
<b>Transfers out per donor request</b>	<u>(21,624)</u>	<u>(18,660)</u>	<u>(42,881)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,165)</u>
Increase (decrease) in fund balance	(52,929)	21,525	106,781	788,694	392,105	(234,227)	(210,885)	811,064
<b>Beginning fund balance</b>	863,993	842,468	735,687	(53,007)	(445,112)	(210,885)	-	-
<b>Ending fund balance (See Note 6)</b>	<u>\$ 811,064</u>	<u>\$ 863,993</u>	<u>\$ 842,468</u>	<u>\$ 735,687</u>	<u>\$ (53,007)</u>	<u>\$ (445,112)</u>	<u>\$ (210,885)</u>	<u>\$ 811,064</u>

See accompanying notes and accountant's audit report

**RANCHO BERNARDO COMMUNITY PRESBYTERIAN CHURCH**  
**SCHEDULE OF ACTIVITY AND CHANGES IN NET ASSETS BY FUNDS**  
For the Year Ended June 30, 2010  
(With Summarized Financial Information as of June 30, 2009)

	2010								2009	
	OPERATING			PLANT		ENDOWMENT			TOTAL	TOTAL
	Ministry Budget	Designated Funds		Unrestricted	Porch	Endowment Unrestricted	Temporarily Restricted	Permanently Restricted		
	Unrestricted	Unrestricted	Temporarily Restricted		Temporarily Restricted					
<b>Revenue and Support</b>										
Contributions - other (Note 1)	\$ 1,552,567	\$ -	\$ 465,242	\$ -	\$ 10,403	\$ 376,188	\$ -	\$ -	\$ 2,404,400	\$ 2,857,158
Pledges received for current year	2,021,942	-	-	-	-	-	-	-	2,021,942	1,119,333
Pledges received for next year	-	-	71,325	-	-	-	-	-	71,325	174,292
Loose offerings	55,792	-	-	-	-	-	-	-	55,792	57,497
Fees, tuition, rent and sales (Note 1)	1,021,948	134,652	-	-	-	-	-	-	1,156,600	1,138,847
Distributions from Presbyterian Foundation	-	-	-	-	-	25,303	9,500	-	34,803	11,459
Interest, dividends and other	15,794	-	-	-	-	14,494	8,269	-	38,557	90,825
Unrealized (loss) gain in future annuity interests	-	-	-	-	-	-	17,690	-	17,690	(66,230)
Unrealized (loss) gain in fair market value	158	-	-	-	-	73,185	46,106	-	119,449	(372,927)
<b>Total revenue and support</b>	<b>4,668,201</b>	<b>134,652</b>	<b>536,567</b>	<b>-</b>	<b>10,403</b>	<b>489,170</b>	<b>81,565</b>	<b>-</b>	<b>5,920,558</b>	<b>5,010,254</b>
<b>Net Assets Released From Restrictions</b>	<b>137,232</b>	<b>546,007</b>	<b>(668,815)</b>	<b>41,708</b>	<b>(56,132)</b>	<b>48,922</b>	<b>(48,922)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>										
Compensation except preschool	2,244,618	6,687	-	-	-	-	-	-	2,251,305	2,361,339
Preschool including compensation	770,205	44,155	-	-	-	-	-	-	814,360	743,481
Congregational ministries	607,417	48,882	-	-	-	-	-	-	656,299	506,393
Facilities and maintenance	576,563	-	-	26,105	-	-	-	-	602,668	604,803
Missions and benevolence	268,630	252,376	-	-	-	-	-	-	521,006	548,456
Depreciation	-	-	-	406,628	-	-	-	-	406,628	402,264
Administration and finance	319,513	22,812	-	2,293	-	-	-	-	344,618	320,566
Food service	114,925	-	-	-	-	-	-	-	114,925	117,180
Worship, music and arts	89,828	14,701	-	-	-	-	-	-	104,529	104,499
Fundraising costs	8,966	-	-	-	-	-	-	-	8,966	5,823
Costs of discontinued building (Porch)	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>5,000,665</b>	<b>389,613</b>	<b>-</b>	<b>435,026</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,825,304</b>	<b>5,714,804</b>
Net income (loss)	(195,232)	291,046	(132,248)	(393,318)	(45,729)	538,092	32,643	-	95,254	(704,550)
Transfers to (from)	329,842	(361,802)	10,306	115,455	(7,200)	(55,586)	(91,116)	88,010	27,909	-
Increase (decrease) in net assets	134,610	(70,756)	(121,942)	(277,863)	(52,929)	482,506	(58,473)	88,010	123,163	(704,550)
<b>Net Assets - Beginning of Year</b>	<b>(134,610)</b>	<b>526,445</b>	<b>468,940</b>	<b>10,602,325</b>	<b>863,993</b>	<b>529,115</b>	<b>96,605</b>	<b>847,662</b>	<b>13,800,475</b>	<b>14,505,025</b>
<b>Net Assets - End of Year</b>	<b>\$ -</b>	<b>\$ 455,689</b>	<b>\$ 346,998</b>	<b>\$ 10,324,462</b>	<b>\$ 811,064</b>	<b>\$ 1,011,621</b>	<b>\$ 38,132</b>	<b>\$ 935,672</b>	<b>\$ 13,923,638</b>	<b>\$ 13,800,475</b>

See accompanying notes and accountant's audit report