

CALIFORNIA-PACIFIC ANNUAL  
CONFERENCE  
OF THE UNITED METHODIST CHURCH

Financial Statements and  
Supplementary Information  
with Independent Auditor's Report

For the Year Ended December 31, 2008



MACIAS GINI & O'CONNELL LLP

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

**CALIFORNIA-PACIFIC ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH**  
**Financial Statements with Independent Auditor's Report**  
**For the Year Ended December 31, 2008**

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SAN DIEGO

The Council on Finance and Administration  
 California-Pacific Annual Conference  
 of the United Methodist Church

**Independent Auditor's Report**

We have audited the accompanying statement of financial position of the California-Pacific Annual Conference of the United Methodist Church (the Conference) (a nonprofit organization) as of December 31, 2008, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Conference's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Conference's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Conference as of December 31, 2008, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules listed as supplementary information in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Conference. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Macias Gini & O'Connell LLP*

Certified Public Accountants  
 Newport Beach, California

October 2, 2009

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# FINANCIAL REPORTS FOR 2008

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## CALIFORNIA-PACIFIC ANNUAL CONFERENCE OF THE UNITED METHODIST CHURCH Statement of Financial Position December 31, 2008

	Operating Funds	Fixed Assets Funds	Endowment Fund	Eliminations	Total
<b>Assets:</b>					
Cash and cash equivalents (note 2)	\$ 6,123,737	\$ -	\$ -	\$ -	\$ 6,123,737
Receivables:					
Notes due from member churches, net (note 3)	6,339,242	-	-	-	6,339,242
Due from other funds	-	743,968	-	(743,968)	-
Due from related parties (note 6)	907,836	-	-	-	907,836
Conference apportionment, quota and special revenues receivable	1,379,436	-	-	-	1,379,436
Interest receivable	31,963	-	-	-	31,963
Contribution from remainder trusts (note 3)	7,253,467	-	-	-	7,253,467
Other receivables	1,244,802	-	-	-	1,244,802
Receivables, net	17,156,746	743,968	-	(743,968)	17,156,746
Investments held by the Foundation (notes 2 and 6)	4,974,891	-	3,628,654	-	8,603,545
Investments in certificates of participation (note 4)	700,000	-	-	-	700,000
Real property held for development	350,000	-	-	-	350,000
Property and equipment, net (note 5)	-	2,959,667	-	-	2,959,667
Total assets	\$ 29,305,374	\$ 3,703,635	\$ 3,628,654	\$ (743,968)	\$ 35,893,695
<b>Liabilities:</b>					
Accounts and distributions payable	\$ 1,687,830	\$ -	\$ -	\$ -	\$ 1,687,830
Notes payable (note 7)	-	571,884	-	-	571,884
Due to other funds	743,968	-	-	(743,968)	-
Other liabilities	400,184	-	-	-	400,184
Unfunded postemployment benefit, due in one year (note 9)	1,304,000	-	-	-	1,304,000
Noncurrent liabilities:					
Unfunded postemployment benefit, due in more than one year (note 9)	53,842,000	-	-	-	53,842,000
Total liabilities	57,977,982	571,884	-	(743,968)	57,805,898
<b>Net Assets:</b>					
Unrestricted	(48,873,340)	3,131,751	-	-	(45,741,589)
Temporarily restricted:					
Loans	13,169,946	-	-	-	13,169,946
Primarily time restriction	7,030,786	-	-	-	7,030,786
Pension benefits	-	-	672,636	-	672,636
Permanently restricted	-	-	2,956,018	-	2,956,018
Total net assets	(28,672,608)	3,131,751	3,628,654	-	(21,912,203)
Total liabilities and net assets	\$ 29,305,374	\$ 3,703,635	\$ 3,628,654	\$ (743,968)	\$ 35,893,695

See Accompanying Notes to Financial Statements.

## FINANCIAL REPORTS FOR 2008

CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH  
Statement of Activities  
Year Ended December 31, 2008

	Operating Funds	Fixed Assets Funds	Endowment Fund	Total
<b>Changes in unrestricted net assets:</b>				
Operating items:				
Support, revenues and other income:				
Conference apportionment income:				
World Service and				
Conference benevolences	\$ 4,557,411	\$ 205,872	\$ -	\$ 4,763,283
Ministerial support	2,784,917	-	-	2,784,917
Administration	2,419,275	-	-	2,419,275
Other special benevolences	646,541	-	-	646,541
Conference-designated and other advance special contributions:				
Quota, special day and advance income	1,169,165	-	-	1,169,165
Other special income and distributions, net	2,883,433	-	-	2,883,433
General council on finance and administration	92,943	-	-	92,943
Other income:				
Health/liability insurance premium income	8,678,975	-	-	8,678,975
Camp operations	3,990,126	-	-	3,990,126
Interest and dividends	190,306	-	-	190,306
Other	74,751	978,551	-	1,053,302
	<u>27,487,843</u>	<u>1,184,423</u>	<u>-</u>	<u>28,672,266</u>
Net assets released from temporary restriction	979,771	-	-	979,771
Expenses:				
Distribution to the general council on finance and administration				
	3,277,387	-	-	3,277,387
Other distributions				
	385,523	-	-	385,523
Other expenses:				
Other designated distributions				
	750,510	-	-	750,510
Distributions to the general board of pensions (note 8)				
	2,123,280	-	-	2,123,280
Health/liability insurance premium expense				
	8,454,226	-	-	8,454,226
Group hospital and other pension-related distributions and expenses				
	271,875	-	-	271,875
Camp operations				
	4,275,618	-	-	4,275,618
General and administrative				
	10,715,107	-	-	10,715,107
Depreciation				
	-	308,310	-	308,310
Grant expense				
	150,135	-	-	150,135
Net periodic pension cost				
	6,061,000	-	-	6,061,000
	<u>36,464,661</u>	<u>308,310</u>	<u>-</u>	<u>36,772,971</u>

See Accompanying Notes to Financial Statements.

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CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH  
Statement of Activities (Continued)  
Year Ended December 31, 2008

	Operating Funds	Fixed Assets Funds	Endowment Fund	Total
Increase (decrease) in operating items	(7,997,047)	876,113	-	(7,120,934)
Nonoperating items:				
Pension-related changes other than net periodic pension cost	(6,754,000)	-	-	(6,754,000)
Decrease in nonoperating items	(6,754,000)	0	0	(6,754,000)
Increase (decrease) in unrestricted net assets	(14,751,047)	876,113	0	(13,874,934)
<b>Changes in temporarily restricted net assets:</b>				
Other income (expenses):				
Interest and dividends	425,998	-	-	425,998
Remainder trust contributions	285,086	-	-	285,086
Decrease in value of remainder trusts	(2,148,946)	-	-	(2,148,946)
Income from investments held by the Foundation	-	-	147,416	147,416
Change in fair value of investments held by the Foundation	-	-	(1,459,422)	(1,459,422)
Other	214,252	-	(66,600)	147,652
Total other (expenses)	(1,223,610)	-	(1,378,606)	(2,602,216)
Net assets released from temporary restriction	(979,771)	-	-	(979,771)
(Decrease) in temporarily restricted net assets	(2,203,381)	-	(1,378,606)	(3,581,987)
Increase (decrease) in net assets	(16,954,428)	876,113	(1,378,606)	(17,456,921)
Net assets (deficit), beginning, as restated (note 12)	(11,718,180)	2,255,638	5,007,260	(4,455,282)
Net assets (deficit), ending	<u>\$ (28,672,608)</u>	<u>\$ 3,131,751</u>	<u>\$ 3,628,654</u>	<u>\$ (21,912,203)</u>

See Accompanying Notes to Financial Statements.

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# FINANCIAL REPORTS FOR 2008

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CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH  
Statement of Cash Flows  
Year Ended December 31, 2008

	Operating Funds	Fixed Assets Funds	Endowment Fund	Total
<b>Cash flows from operating activities:</b>				
Increase (decrease) in net assets	\$ (16,954,428)	\$ 876,113	\$ (1,378,606)	\$ (17,456,921)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:				
Changes in fair value of investment:	2,139,813	-	1,459,422	3,599,235
Income from investments held by by the Foundation	-	-	(147,416)	(147,416)
Investment administrative expense:	-	308,310	66,600	374,910
(Increase) decrease:				
Receivables, net	(164,699)	-	-	(164,699)
Due from related parties	(212,838)	-	-	(212,838)
Increase (decrease):				
Accounts and distributions payable	(132,172)	-	-	(132,172)
Other liabilities	(11,991)	-	-	(11,991)
Unfunded postemployment benefit	12,815,000	-	-	12,815,000
Total adjustments	14,433,113	308,310	1,378,606	16,120,029
Net cash provided by (used for) operating activities	(2,521,315)	1,184,423	-	(1,336,892)
<b>Cash flows from investing activities:</b>				
Proceeds from sale of investment:	2,800,000	-	-	2,800,000
Purchase of property and equipment	-	(209,567)	-	(209,567)
Proceeds from disposal of property and equipment	-	19,085	-	19,085
Net cash provided by (used for) investing activities	2,800,000	(190,482)	-	2,609,518
<b>Cash flows from financing activities:</b>				
Payments on notes payable	-	(52,593)	-	(52,593)
Payments on prior year interfund borrowings	197,380	(197,380)	-	-
Interfund borrowings/transfers	743,968	(743,968)	-	-
Net cash provided by (used for) financing activities	941,348	(993,941)	-	(52,593)
Increase in cash and cash equivalents	1,220,033	-	-	1,220,033
Cash and cash equivalents at beginning of year	4,903,704	-	-	4,903,704
Cash and cash equivalents at end of year	\$ 6,123,737	\$ -	\$ -	\$ 6,123,737

See Accompanying Notes to Financial Statements.

**CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH**  
Notes to Financial Statements  
December 31, 2008

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation/Accounting

The financial statements of the California-Pacific Annual Conference of The United Methodist Church (Conference) include the accounts of funds that provide programs and support services to, and on behalf of, the member churches of the Conference. These programs and supporting services are considered Conference activities by the "Book of Discipline." The financial statements have been prepared on the accrual basis.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Conference is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Fund Groupings

To ensure observance of limitations and restrictions placed on the use of resources available to the Conference, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been grouped. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities and net assets of the Conference are reported in self-balancing fund groups as follows:

- Operating Funds, which are available for the various Conference programs and support services, including unrestricted and Board-designated amounts. For financial statement purposes interfund balances within the operating funds comprising \$4,691,492 of receivables/payables have been eliminated.
- Fixed Assets Funds, which include land, buildings, furniture and equipment that are acquired or constructed.
- Endowment Funds, which are restricted for specific conference programs and support.

CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
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Notes to Financial Statements (Continued)  
December 31, 2008

Cash and Cash Equivalents

The Conference maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Conference has not experienced any losses in such accounts. The Conference believes it is not exposed to any significant credit risk on cash.

For purposes of the statements of cash flows, the Conference considers cash and all highly liquid investments with original maturities of three months or less from when purchased as cash and cash equivalents. This includes the money market fund which is also considered a cash equivalent.

Investments

Investments are stated at fair value (the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date).

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosure about fair value measurement. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Conference has adopted SFAS 157 and has disclosed the relative information in Note 2.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to forty years.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 as net assets released from restrictions.

Income Taxes

The Conference is a California nonprofit, tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code and the corresponding provisions of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is required.

**CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
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Notes to Financial Statements (Continued)  
December 31, 2008

Postemployment Health Care Benefits

The funded status of the Conference's postemployment benefit plans is measured as the difference between the fair value of plan assets and the accumulated postemployment benefit obligation. The overfunded or underfunded status of the plans is fully recognized as an asset or liability in the statement of financial position. Changes in the funded status of the plans are recognized in the year they occur as changes in unrestricted net assets. See also Note 9 to the financial statements.

(2) **CASH AND INVESTMENTS**

Cash in the Operating Fund of \$2,297,346 is composed primarily of interest-bearing bank deposits utilizing pooled cash of all funds. In addition to the money market fund, investments in the Operating and Endowment Funds are held by the California-Pacific United Methodist Foundation. Total cash and investments of the Conference are summarized as follows:

	December 31, 2008
	Carrying Amount
Cash and Cash Equivalents:	
Cash and demand deposits	\$ 2,297,346
Money market fund	3,826,391
Total Cash and Cash Equivalents	6,123,737
Investments:	
Investments held by the Foundation	8,603,545
Total Cash and Investments	\$ 14,727,282

The cash and demand deposit accounts are maintained in bank accounts which are fully insured up to \$250,000 by federal depository insurance. At various times during the year and at December 31, 2008, bank balances exceeded the amount of insurance.

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes 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 or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

*Level 1:* Inputs to the valuation methodology represents unadjusted quoted prices for identical assets or liabilities in active markets that the Conference has the ability to access.

CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
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 Notes to Financial Statements (Continued)  
 December 31, 2008

*Level 2:* Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is the description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2008.

The investments held by the Foundation are investments traded in the open market. These assets are stated at fair value.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Conference believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Conference's assets at fair value as of December 31, 2008:

Investments at Fair Values as of December 31, 2008

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Available-for-Sale Securities	\$ 8,603,545	\$ -	\$ -	\$ 8,603,545
Money Market Funds	3,826,391			3,826,391
<b>Total</b>	<b>\$ 12,429,936</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,429,936</b>

**CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH**  
Notes to Financial Statements (Continued)  
December 31, 2008

**(3) RECEIVABLES**Notes due from Member Churches

The notes due from member churches are generally collateralized by trust deeds on real property and bear interest at rates ranging from 2% to 7.5%. At December 31, 2008, the allowance for uncollectible notes is \$103,246.

Contribution from Remainder Trusts

The Conference is a beneficiary of certain estates. The corpus of the estates will not be received until certain time restrictions have been met. A receivable has been recorded for the Conference's proportionate share of the fair value of the corpus.

**(4) INVESTMENTS IN CERTIFICATES OF PARTICIPATION**

At December 31, 2008, the Conference has an investment in certificates of participation of the United Methodist Development Fund (UMDF). The UMDF is an incorporated, nonprofit organization related to the National Division of the Board of Global Ministries of The United Methodist Church. Certificates of participation in the amount of \$500,000 and \$200,000 provide for a rate of interest equal to the rate UMDF pays on its Flexible Investment Notes. The interest rates at December 31, 2008 were 2.50% and 3.50%. Although certificates are normally repaid upon demand, the UMDF has the option of requiring six months prior written notice and may repay the certificates over a five-year period. The UMDF may redeem the certificates at a 2-1/2% premium by giving six months prior written notice.

**(4) PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2008 consist of the following:

Land	\$ 1,151,262
Buildings	8,091,370
Furniture and fixtures	<u>1,377,824</u>
	10,620,456
Less accumulated depreciation	<u>(7,660,789)</u>
Total	<u>\$ 2,959,667</u>

**(5) RELATED PARTY TRANSACTIONS**

At December 31, 2008, related party receivables consist primarily of amounts due from the General Level Agencies of the United Methodist Church and the California-Pacific United Methodist Foundation (the Foundation).

CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
 OF THE UNITED METHODIST CHURCH  
 Notes to Financial Statements (Continued)  
 December 31, 2008

Related party transactions with the General Level Agencies of The United Methodist Church consist of apportionment distributions and maintenance of various deposit accounts administered by the General Board of Pensions.

Due from related parties at December 31, 2008 consists of the following:

	<u>Operating Fund</u>
	Pension Funds
	<u>                    </u>
General Board of Pensions	<u>\$          907,836</u>

During 2008, the Conference had deposited with the Foundation, funds in an investment pool maintained by outside investment advisers, under the investment guidelines of the Foundation. The Conference has \$8,603,545 deposited with the Foundation for the pooling of investments at December 31, 2008.

Endowment Funds held by the Foundation:

Conference Endowment Fund - Contributions received are not distributed. Net revenues derived from dividends and interest earned on investments are paid to the Board of Pensions and eventually distributed to those qualified to receive pension distributions. At December 31, 2008, accumulated capital amounted to \$2,815,058. The market value of the fund at December 31, 2008 was \$3,279,069.

Hough Endowment Fund - Contributions received from the donor are designated as not being available for distribution. The net income earned on investments is used by the Board of Pensions, to aid and assist in necessitous cases, the retired ministers and widows and children of deceased ministers of the Conference. At December 31, 2008, accumulated capital amounted to \$85,201. The market value of the fund at December 31, 2008 was \$292,738.

Mrs. D. A. Crowell Memorial Fund - Contributions received from the donor are designated as not being available for distribution. The net revenues earned on investments are used to aid and assist in necessitous cases, the widows of deceased ministers of the Conference. At December 31, 2008, accumulated capital amounted to \$55,759. The market value of the fund at December 31, 2008 was \$56,847.

(6) NOTES PAYABLE

A note is payable to the bank with variable interest rates and variable monthly principal and interest payments. Interest on unpaid principal shall accrue at a rate equal to the LIBOR rate plus 2.10% per year. The LIBOR rate at December 31, 2008 was 2.7663%. Principal payments totaled \$52,593 and interest payments totaled \$32,345 for the year ended December 31, 2008. The remaining principal and interest due are secured by the building.

**CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
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Notes to Financial Statements (Continued)  
December 31, 2008

The annual requirements to amortize the note payable outstanding for each of the next five years and in aggregate:

Year Ending December 31	Amount
2009	\$ 57,081
2010	62,105
2011	67,572
2012	73,427
2013	79,983
2014-2016	231,716
Total Principal <sup>(1)</sup>	<u>\$ 571,884</u>

<sup>(1)</sup>Interest not included due to rate being variable.

**(7) PENSION PLANS**

As discussed below, at December 31, 2008, there are two pension plans in existence for the ministers of the Conference.

The 2004 General Conference of the United Methodist Church adopted the Clergy Retirement Security Program (CRSP), effective January 1, 2007. The CRSP is administered by the General Board of Pension and Health Benefits of the United Methodist Church (General Board). The CRSP consists of both a multi-employer defined benefit and multi-employer defined contribution plan.

Since January 1, 1982, ministers of the Conference had been covered by the Ministerial Pension Plan (MPP), which was administered by the General Board. This plan, a multi-employer defined contribution plan, was adopted by the 1980 General Conference of The United Methodist Church and replaced the Ministers' Reserve Pension Fund (MRPF), a multi-employer defined benefit plan. On January 1, 2007 participants of the MPP were rolled into the CRSP.

In connection with the MRPF, pension expense represents payment for prior service as determined by the consulting actuaries of the Board based on an actuarial valuation as of December 31, 2008. Pension expense for the year ended December 31, 2008 was \$0. Information from the General Board of Pensions is not presently available to disclose the Conference's share of accumulated plan benefits, net assets available, or the unfunded liability at December 31, 2008.

Under the defined benefit plan of the CRSP, clergy receive benefits based on a formula which is calculated based on the Denominational Average Compensation (DAC) and years of credited service. The retiree's monthly benefit increases annually by 2% per year, after benefits start.

Under the defined contribution plan of the CRSP, the Conference remits 3% of each minister's salary directly to the General Board. These remittances are placed in the respective minister's

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 Notes to Financial Statements (Continued)  
 December 31, 2008

pension account. The Conference submits 3% of the same contribution base via Comprehensive Protection Plan (CPP). These funds are placed in a pooled account to provide CPP plus a pension buildup for ministers who are below the denominational average compensation. In 2008, the Conference contributed \$1,514,710 to the above pension plans.

All lay employees of the Conference can join the United Methodist Personal Investment Plan (UMPIP) of the General Board, a defined contribution plan. The Conference's contribution requirement under this plan is 9% of the applicable employees' compensation.

The Conference Board of Pensions also administers a group health insurance plan available to member clergy and Conference employees and their families. As reflected in the accompanying financial statements, the Conference Board of Pensions receives premium payments from these parties and then submits payment to the applicable insurance agency. The Conference also administers a general liability insurance plan for member churches through the Conference Board of Trustees.

(8) **POSTEMPLOYMENT HEALTH CARE BENEFITS**

The Conference provides postemployment benefits in the form of health care benefits to all clergy retirees, surviving clergy spouses, and retired lay employees, in accordance with Conference policy. The plan provides health benefits to employees who make the required election upon retirement. Employees must have earned at least 10 years of service with the Conference during the last 15 years prior to their retirement and are eligible to retire upon the attainment of age 62 or 35 years of service. The Conference contributes the cost of monthly health insurance coverage. Contributions for 2008 were \$1,119,000.

The following table presents the plan's funded status. At December 31, 2008, there were no plan assets invested for postemployment health benefits.

	<u>December 31, 2008</u>
Accumulated postemployment benefit obligation	\$ (55,146,000)
Plan assets at fair value	<u>-</u>
Funded Status	<u>\$ (55,146,000)</u>

The following projected postemployment benefits are expected to be paid in future years:

**CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH**  
Notes to Financial Statements (Continued)  
December 31, 2008

Year Ending December 31	Projected Benefits
2009	\$ 1,304,000
2010	1,429,000
2011	1,616,000
2012	1,818,000
2013	1,990,000
2014-2018	13,450,000

The following weighted average assumptions were used in accounting for the plan as of December 31:

Weighted-average assumptions used to determine benefit obligations at December 31:

Discount rate	4.0%
First year health care trend rate	10.0%

Weighted-average assumptions used to determine net periodic benefit cost for year ended December 31:

Discount rate	4.0%
Expected return on plan assets	4.0%
Ultimate health care trend rate	5.0%

Current retirees were assumed to receive a health insurance subsidy equal to their actual scheduled subsidy for 2009 based on their status and coverage election. 60% of future covered retirees were assumed to receive a health insurance subsidy during 2009 equal to \$1,775 per year for each of the retiree and his spouse (the current HMO Medicare-eligible rate) and 40% of future covered retirees were assumed to receive a health insurance subsidy during 2009 equal to \$3,803 per year for each of the retiree and his spouse. All subsidies were increased by the health care cost trend rates for years after 2009. The health care cost trend rates were as follows:

Year	Increase	Year	Increase	Year	Increase
2009	10.0%	2013	8.0%	2017	6.0%
2010	9.5%	2014	7.5%	2018	5.5%
2011	9.0%	2015	7.0%	2019	5.0%
2012	8.5%	2016	6.5%	& later	

(9) **LINE OF CREDIT**

The Conference has an agreement with a bank for a line of credit with a maximum of \$1,000,000 and an interest rate of one-half percent over the bank's reference rate. As of December 31, 2008 the line of credit is unused and expires on October 31, 2009.

CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
 OF THE UNITED METHODIST CHURCH  
 Notes to Financial Statements (Continued)  
 December 31, 2008

(10) CONTINGENCIES

The Conference is subject to various legal proceedings and claims which involve private parties. In the opinion of the Conference management and its counsel it is improbable that the outcome of such litigation will be materially adverse to the Conference.

(11) RESTATEMENT OF NET ASSETS

Restatement of net assets:

	<u>Operating Funds</u>
Net assets as of January 1, 2008	\$ (30,807,180)
Correction of postemployment health benefits	<u>19,089,000</u>
Net assets as of January 1, 2008, as restated	<u>\$ (11,718,180)</u>

As documented in Note 9, a participant is eligible to receive post employment health benefits if 10 of the last 15 years of service the participant was employed by the Conference. In 2007, the unfunded postemployment benefit was calculated based on the date the participant entered the ministry. In 2008, it was determined that the date the participant entered their current church in the Conference is the more accurate date for calculating the unfunded liability for postemployment benefits. Based on this, the unfunded liability for postemployment benefits was overstated in 2007 by \$19,089,000 resulting in the prior period adjustment illustrated above.

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**SUPPLEMENTARY INFORMATION**

**CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH**  
Net Assets Analysis  
Year Ended December 31, 2008

Fund No.	Fund Name	Dec. 31, 2007 Net Assets (Deficit)	Net Change	Dec. 31, 2008 Net Assets (Deficit)
<b>Unrestricted Net Assets:</b>				
<u>Operating Funds</u>				
10	Apportioned and Other Funds	\$ -	\$ -	\$ -
16	Contingency Fund	1,139,150	185,515	1,324,664
17	Council on Finance and Administration	11,681	(56,943)	(45,262)
18	Administrative Services	10,421	(46,555)	(36,134)
19	Designated Funds	1,443,566	(191,099)	1,252,467
20	Connectional Ministries	523,233	(6,016)	517,218
21	Pacific Islanders Commission	10,580	26,883	37,463
22	Jubilee Fund	6,858,039	(2,362,842)	4,495,197
23	Shalom Zone Reinvestment	(36,073)	36,073	-
24	EMLC Crisis Fund	7,442	(2,226)	5,216
25	Cooperative Advertising Fund	41,478	2,149	43,627
26	Pacific Islanders/Somoan Fund	19,774	(5,213)	14,561
27	Native American Awareness Fund	31,164	9,436	40,600
28	New Ministries	-	-	-
30	Golden Cross Fund	9,006	2,049	11,056
32	Commission on Religion and Race	44,805	(10,074)	34,731
33	Commission on Status and Role of Women	8,385	2,855	11,240
34	Commission on Church Extension in Mexico	40,232	(4,530)	35,702

(Continued)

CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH  
Net Assets Analysis (Continued)  
Year Ended December 31, 2008

Fund No.	Fund Name	Dec. 31, 2007 Net Assets (Deficit)	Net Change	Dec. 31, 2008 Net Assets (Deficit)
<u>Operating Funds</u>				
39	Center for Leadership Excellence	-	9,293	9,293
44	Clergy Salary Support Fund	17,484	(2,969)	14,515
46	Moving Expense Fund	32,668	(60)	32,608
50	District Superintendents' Fund	(68,292)	(188,635)	(256,927)
54	Board of Trustees	(4,915)	87,460	82,545
56	Episcopal Residence Fund	(1,603)	3,006	1,403
57	Sustentation Fund	18,327	23,502	41,829
61	Pension and Other Benefits	(42,594,118)	(12,129,822)	(54,723,940)
71	Bishop's Special Fund	12,569	9,449	22,018
72	Area Headquarters and Fund Development	(202,685)	(58,594)	(261,279)
76	Board of Ordained Ministry	102,056	47,139	149,196
78	Annual Conference Sessions Fund	(16,624)	(40,594)	(57,218)
79	Conference Secretary and Journal Fund	17,298	(3,422)	13,876
82	Strategic Initiatives	558,904	34,152	593,055
<u>Camp Funds</u>				
84	Camp Operations	(2,967,187)	(198,819)	(3,166,006)
85	Camp Operations	158,567	(62,153)	96,414
86	Camp Operations	100,977	(24,520)	76,457
<u>Los Angeles Episcopal Fund</u>				
73	Los Angeles Episcopal Area (GCFA)	-	-	-

(Continued)

**CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH**  
Net Assets Analysis (Continued)  
Year Ended December 31, 2008

Fund No.	Fund Name	Dec. 31, 2007 Net Assets (Deficit)	Net Change	Dec. 31, 2008 Net Assets (Deficit)
<b>Certain Other Funds</b>				
53	Trustee Insurance Fund	\$ 551,397	\$ 165,075	\$ 716,472
55	Board of Trustees Campus Ministries Properties	-	-	-
	Total Unrestricted Operating Funds	<u>(34,122,292)</u>	<u>(14,751,048)</u>	<u>(48,873,340)</u>
<b>Fixed Assets Funds</b>				
88	Fixed Assets	2,255,638	876,113	3,131,751
	Total Unrestricted Net Assets	<u>\$ (31,866,654)</u>	<u>\$ (13,874,936)</u>	<u>\$ (45,741,589)</u>
<b>Temporarily restricted net assets for loans:</b>				
<u>Loan Fund</u>				
45	Congregational Loan Fund	\$ 12,691,371	\$ 478,574	\$ 13,169,946
<b>Temporarily restricted net assets (primarily time restriction):</b>				
<u>Pension Funds</u>				
40	Board of Pensions	693,974	(377,445)	316,529
40	Remainder Trusts	9,402,413	(2,148,946)	7,253,467
40	Endowment Funds	2,051,242	(1,378,606)	672,636
41	Board of Pensions- Health Insurance Fund	(383,645)	(155,566)	(539,210)
	Total Temporarily Restricted Net Assets (primarily time restriction)	<u>11,763,984</u>	<u>(4,060,562)</u>	<u>7,703,422</u>
	Total Temporarily Restricted Net Assets	<u>\$ 24,455,355</u>	<u>\$ (3,581,988)</u>	<u>\$ 20,873,368</u>
<b>Permanently restricted net assets:</b>				
<u>Endowment Funds</u>				
40	Endowment Funds	\$ 2,956,018	\$ -	\$ 2,956,018

THE LOS ANGELES EPISCOPAL AREA-  
UNITED METHODIST CHURCH  
(A Fund of the California-Pacific Annual  
Conference of the United Methodist Church)  
Statement of Financial Position  
December 31, 2008

Assets:

Assets:

Due from General Council on  
Finance and Administration

\$ -  
          

Liabilities and Net Assets:

Liabilities:

Due to Conference

\$ -

Net assets, unrestricted

          

Total liabilities and net Assets

\$ -

**THE LOS ANGELES EPISCOPAL AREA-**  
**UNITED METHODIST CHURCH**  
 (A Fund of the California-Pacific Annual  
 Conference of the United Methodist Church)  
**Statement of Activities**  
**Year Ended December 31, 2008**

Revenues:	
General Council on Finance and Administration	\$ 92,303
Other	640
	<hr/>
Total revenues	92,943
	<hr/>
Expenses:	
Salary	159,360
Benefits	34,860
Payroll taxes	25,468
Office rent	19,200
Staff travel	12,731
Professional entertainment	5,453
Postage	611
Office supplies	6,211
Equipment rental and maintenance	5,503
Accounting fees	-
Miscellaneous	39,352
	<hr/>
Total expenses	308,749
	<hr/>
Revenues under expenses	(215,806)
California-Pacific Annual Conference support	215,806
Net assets, unrestricted, beginning of year	<hr/> -
Net assets, unrestricted, end of year	<hr/> <u>\$ -</u>

THE LOS ANGELES EPISCOPAL AREA-  
 UNITED METHODIST CHURCH  
 (A Fund of the California-Pacific Annual  
 Conference of the United Methodist Church)  
 Statement of Cash Flows  
 Year Ended December 31, 2008

	<u>2008</u>
Cash flows from operating activities:	
Revenues under expenses	<u>\$ (215,806)</u>
Net cash used for operating activities	(215,806)
Cash flows from financing activities:	
California-Pacific Annual Conference Support	215,806
Cash at beginning of year	<u>-</u>
Cash at end of year	<u><u>\$ -</u></u>

CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
2008 RESULTS, 2009 BUDGETED INCOME, & 2010 BUDGETS & APPORTIONMENTS  
APPORTIONED FUNDS REPORT - PRELIMINARY

	2008 PRELIM. BEGINNING FUND BALANCE	2008 PRELIM. INCOME	2008 PRELIM. EXPENSE	2008 ENDING PRELIM. FUND BALANCE	2009 Min. Support Budget from Apportionment	2009 APPROVED APPORTIONMENT	2010 MINISTRY SUPPORT BUDGET FROM APPORTIONMENT	2010 PROPOSED APPORTIONMENT	% CHANGE 09-10
<b>I. WORLD SERVICE AND CONFERENCE BENEVOLENCES</b>									
1 WORLD SERVICE FUND	0	1,318,700	1,318,700	0	1,295,332	1,463,308	1,267,342	1,520,944	3.80%
2 CONNECTIONAL MINISTRIES	523,233	1,411,550	1,411,566	517,218	1,366,350	1,538,857	1,176,103	1,176,103	-23.57%
3 BOARD OF ORDAINED MINISTRY	40,670	200,745	193,565	47,859	251,000	283,917	220,000	264,023	-7.01%
4 PACIFIC ISLANDERS COMMISSION	10,580	91,599	64,716	37,463	95,000	107,466	20,000	24,002	-77.67%
5 COMMISSION ON RELIGION & RACE	44,305	0	10,074	34,731	0	0	7,000	8,401	ERR
6 SCHOOL OF THEOLOGY AT CLAREMONT	0	199,984	199,984	0	132,600	150,000	100,000	120,011	-19.99%
7 STRATEGIC INITIATIVES	558,904	173,992	139,840	593,055	200,000	232,910	227,200	272,664	17.07%
8 DISTRICT UNIONS	0	99,990	99,990	0	106,080	120,000	80,000	96,008	-19.99%
9 STATUS AND ROLE OF WOMEN	8,385	16,188	13,334	11,240	19,250	21,776	1,000	1,200	-94.49%
10 WESTERN JURISDICTION KOREAN MISSION	0	22,741	22,741	0	20,321	22,988	20,889	25,069	9.05%
11 CONGREGATIONAL DEVELOPMENT	0	898,354	903,715	-5,361	847,250	948,428	905,000	1,086,096	13.32%
12 COMMISSION ON COMMUNICATIONS	89,312	511,600	468,797	132,115	525,630	594,604	235,000	282,025	-52.57%
13 CONGREGATIONAL LOAN COMMITTEE	610,804	229,642	150,135	690,310	100,000	113,122	0	0	-100.00%
<b>TOTAL WORLD SERVICE &amp; CONFERENCE BENEVOLENCES</b>	<b>1,886,693</b>	<b>5,169,086</b>	<b>4,997,157</b>	<b>2,058,621</b>	<b>4,952,813</b>	<b>5,609,396</b>	<b>4,063,431</b>	<b>4,876,546</b>	<b>-13.06%</b>
<b>II. MINISTERIAL SUPPORT FUND</b>									
13 PENSIONS AND BENEFIT FUNDING	-60,418	9,474,421	9,322,254	82,749	0	0	1,335,386	1,610,004	ERR
14 SUSTENTATION FUND	18,327	25,852	2,450	41,829	10,000	11,338	10,000	12,056	6.34%
15 VITAL PRESENCE MINISTRY	0	0	0	0	250,000	283,447	239,993	289,347	2.08%
16 EQUITABLE COMPENSATION	17,484	747,541	762,219	2,806	350,000	396,825	351,500	423,785	6.79%
17 DISTRICT SUPERINTENDENTS' EXPENSE	-68,292	1,434,842	1,633,477	-256,927	1,633,613	1,824,169	1,624,627	1,958,486	5.74%
18 EPISCOPAL RESIDENCE	-1,603	32,460	29,453	1,403	23,303	26,421	16,750	20,195	-23.57%
19 EPISCOPAL FUND	33,608	343,283	343,283	0	351,054	398,020	346,921	418,264	5.09%
20 MOVING EXPENSE	0	314,233	314,293	32,608	238,000	269,841	198,500	239,321	-11.31%
<b>TOTAL MINISTERIAL SUPPORT</b>	<b>-70,834</b>	<b>12,372,632</b>	<b>12,397,429</b>	<b>-95,531</b>	<b>2,855,970</b>	<b>3,238,061</b>	<b>4,123,477</b>	<b>4,971,459</b>	<b>53.53%</b>
<b>III. ADMINISTRATION</b>									
21 INTERDENOMINATIONAL COOPERATION FUND	0	33,153	33,153	0	33,916	39,497	33,077	40,529	2.61%
22 GENERAL ADMINISTRATION	0	113,700	113,700	0	140,205	163,276	134,516	164,820	0.95%
23 JURISDICTIONAL ADMINISTRATION	0	31,727	31,727	0	30,360	35,356	31,475	38,563	9.07%
24 EPISCOPAL AREA OFFICE & CONF. SUPPLEMENT	-180,113	308,063	308,748	-180,799	203,021	236,428	207,019	253,656	7.29%
25 CONFERENCE SESSIONS	-16,624	416,432	457,026	-57,218	198,808	231,522	198,575	243,310	5.09%
26 CONFERENCE BOARD OF TRUSTEES	-4,915	198,099	110,639	82,545	103,100	120,065	113,550	139,131	15.88%
27 CONFERENCE SECRETARY	17,298	31,470	34,892	13,876	46,000	53,569	25,000	30,632	-42.82%
28 CAMPING, OUTDOOR, RETREAT MIN	-2,967,187	3,620,538	3,819,356	-3,166,006	411,268	478,943	210,000	257,309	-46.28%
29 COUNCIL ON FINANCE AND ADMINISTRATION	11,681	549,728	606,671	-45,702	508,594	592,284	486,183	593,710	0.58%
30 CONFERENCE CENTER OPERATIONS	-89,149	304,521	416,824	-201,422	320,202	372,892	293,989	360,219	-3.40%
MISCELLANEOUS & AD HOC COMMITTEES	31,313	71,330	48,415	54,228	83,000	96,658	23,100	28,304	-70.72%
31 CAPITAL REPLACEMENT (PLANT FUND)	-197,380	1,186,615	1,81,379	807,856	400,000	465,820	0	0	-100.00%
32 WORKING CAPITAL RESERVE (CONTINGENCY FUND)	1,139,150	267,586	82,072	1,324,664	274,000	319,087	100,000	122,528	-61.60%
<b>TOTAL ADMINISTRATION</b>	<b>-2,255,926</b>	<b>7,122,903</b>	<b>6,244,604</b>	<b>-1,367,537</b>	<b>2,752,474</b>	<b>3,205,397</b>	<b>1,856,482</b>	<b>2,274,710</b>	<b>-29.03%</b>
<b>IV. OTHER/GENERAL/CONFERENCE BENEVOLENCES</b>									
MINISTERIAL EDUCATION FUND	0	434,226	434,226	0	426,775	506,799	440,616	520,934	2.79%
BLACK COLLEGE FUND	0	173,437	173,437	0	170,257	202,182	175,779	207,821	2.79%
35 GLOBAL AIDS FUND	0	0	0	0	85,000	98,987	0	0	-100.00%
36 AFRICA UNIVERSITY	0	38,878	39,878	0	38,105	45,250	39,341	46,512	2.79%
<b>TOTAL OTHER/GENERAL CONF. BENEVOLENCES</b>	<b>0</b>	<b>646,541</b>	<b>646,541</b>	<b>0</b>	<b>720,137</b>	<b>853,218</b>	<b>655,736</b>	<b>775,267</b>	<b>-9.14%</b>
<b>39 GRAND TOTAL</b>	<b>-440,067</b>	<b>25,321,251</b>	<b>24,285,639</b>	<b>595,553</b>	<b>11,281,394</b>	<b>12,906,972</b>	<b>10,659,126</b>	<b>12,897,982</b>	<b>-0.00%</b>