

# PROSPECTUS

ESTIMATED TOTAL OFFERING – \$221,500,000

## FLORIDA OFFERING CIRCULAR

\$80,000,000

\$80,000,000 of 2.50% \* Unsecured Investment Notes. These are open notes payable ninety (90) days after written demand. Interest is payable quarterly.

Offering Price: Par

**THE SOUTHERN UNION REVOLVING FUND, INC.**  
**a Tennessee nonprofit corporation**

302 Research Drive  
Norcross, Georgia 30092  
(770) 408-1800

The date of this Offering Circular is January 1, 2023

**THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE STATE OF FLORIDA. THESE SECURITIES ARE CONSIDERED EXEMPT FROM REGISTRATION WITH THE FLORIDA DEPARTMENT OF BANKING AND FINANCE UNDER FLORIDA STATUTE ANNOTATED SECTION 517.051(9). THIS EXEMPTION DOES NOT MEAN THAT THE STATE OF FLORIDA IN ANY WAY ENDORSES OR RECOMMENDS THE PURCHASE OF THESE SECURITIES.**

**THE OFFER AND SALE OF THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR HAS THIS OFFERING CIRCULAR BEEN SUBMITTED TO OR REVIEWED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION IN RELIANCE UPON THE EXEMPTION FROM REGISTRATION CONTAINED IN SECTION 15 U.S.C.A. SECTION 77(c)(3) AND (4) OF THE FEDERAL SECURITIES ACT OF 1933 AMENDED.**

\* INTEREST RATE IS SUBJECT TO ADJUSTMENT UPON DETERMINATION OF THE BOARD OF DIRECTORS OF THE SOUTHERN UNION REVOLVING FUND FROM TIME TO TIME.

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This offering of Unsecured Investment Notes of Southern Union Revolving Fund, Inc. (called the “Notes” in this Offering Circular) is not being underwritten, and all proceeds will be deposited with Southern Union Revolving Fund, Inc. (The Southern Union Revolving Fund, Inc. is sometimes referred to in this Offering Circular as either the “Revolving Fund” or by its acronym “SURF”.) Select affiliates of the Southern Union Revolving Fund, Inc. will be the only persons engaged in the offering and sale of the above described Notes. No commissions or other compensation will be paid to any persons in connection with this offering.

The method of marketing the Notes is designed to reach members of the Seventh-day Adventist Church in the eight states of Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina and Tennessee and organizations affiliated with the Seventh-day Adventist Church in those eight states, and it is believed that nearly all funds raised from the sale of Notes will be from such members and organizations. Up to \$80,000,000 of Notes, inclusive of the principal balances of Notes already owned by Florida residents or Florida based organizations, will be offered in Florida.

The debt obligations of SURF evidenced by the Notes offered hereby are unsecured obligations of the Southern Union Revolving Fund, Inc. and are not secured by a pledge or mortgage of specific assets. SURF established and has built up a reserve fund of highly liquid financial assets to insure prompt payment of the demand Notes. This reserve fund has primarily been accumulated from the historic earnings of the Revolving Fund. Such liquid investments are explained in more detail under the section captioned “Use of Proceeds”. Prior to January 1, 2019, SURF benchmarked the reserve fund to equal at least 25% of the sum of the outstanding principal amount of loans made by SURF to its borrowers and of SURF’s current commitments of future loans to SURF borrowers. Starting January 1, 2019, for the purpose of providing additional security for the Revolving Fund, SURF began increasing the size of the reserve fund toward the goal of reaching a minimum of 25% percent of the total balance owed by SURF on of all its outstanding Notes. As of December 31, 2021, the reserve fund totaled \$41,174,396.

This offer is subject to certain risk factors detailed herein. This offering and the amount thereof is made to residents of Florida and Seventh-day Adventist affiliated organizations located in Florida. Similar offerings are concurrently being made to investors in seven other southeastern states. The aggregate offerings substantially exceed the amount offered in Florida.

## **SUMMARY AND GENERAL INTRODUCTION**

Proceeds received from the sale of Notes in Florida and in other states will be loaned to Seventh-day Adventist churches, church schools, or other approved denominational institutions for building construction and acquisition or major capital improvements. Funds generated from sale of the Notes will generally be loaned to Seventh-day Adventist affiliated institutions in the same local Conference where the Notes are sold.

## SUMMARY FINANCIAL INFORMATION

The audited financial statements of the Southern Union Revolving Fund, Inc. for the years ended December 31, 2021, December 31, 2020 and December 31, 2019 are an important part of this Offering Circular and begin at page FS-1. Also included are unaudited financial statements as of October 31, 2022 beginning at page FS-25.

	2021	2020	2019	2018	2017
<b>Cash, Cash Equivalents and Readily Marketable Securities (combined)</b>	\$142,884,306	\$126,486,045	\$100,987,035	\$114,068,187	\$111,220,847
<b>Fixed Income Investments</b>	\$100,047,931 **	\$89,510,347	\$73,674,991	\$124,000	\$124,000
<b>Total Loans Receivable</b>	\$121,113,315	\$125,189,865	\$124,115,774	\$119,532,573	\$113,908,641
<b>Amount &amp; Percentage of Unsecured Loans Receivable</b>	\$4,554,313 3.76%	\$5,852,060 4.67%	\$2,822,842 2.27%	\$6,569,149 5.50%	\$16,035,623 14.08%
<b>Loan Delinquencies as a Percent of Loans Receivable</b>	.02%	.02%	.03%	.09%	.07%
<b>Total Assets</b>	\$278,529,507	\$273,438,574	\$250,870,810	\$234,204,195	\$225,665,082
<b>Total Notes Payable</b>	\$195,294,753	\$196,070,090	\$182,026,217	\$174,110,544	\$163,817,782
<b>Amount of Notes Redeemed During the Fiscal Year</b>	\$12,111,317	\$11,316,668	\$19,909,013	\$12,496,252	\$11,616,546
<b>Other Long-Term Debt</b>	\$0	\$0	\$0	\$0	\$0
<b>Net Assets</b>	\$83,204,114	\$77,339,889	\$68,809,562	\$60,068,990	\$61,847,300
<b>Change in Net Assets</b>	\$5,864,223	\$8,543,202	\$8,740,572	(\$1,778,310)	\$5,363,397
<b>Capital Adequacy (% of Net Assets to Total Assets)</b>	29.87%	28.28%	27.43%	25.65%	27.41%

\*\* Since December 31, 2021 SURF has dramatically reduced its holdings of fixed income investments in response to increased inflationary trends and U.S. Federal Reserve monetary policy. See page 9 and SURF interim financial statements at page FS-25.



## ORGANIZATION

Southern Union Revolving Fund, Inc. (or “SURF” or the “Revolving Fund”) is a Tennessee nonprofit corporation organized in 1999. It is a subsidiary of the Southern Union Conference Association of Seventh-day Adventists, Inc., a Tennessee non-profit corporation organized in 1908. (The Southern Union Conference Association of Seventh-day Adventists, Inc. is sometimes referred to by its acronym “SUCASA” in this Offering Circular.) SUCASA previously operated the Revolving Fund as part of its operations for approximately 20 years prior to 1999. However, on June 22, 1999, SUCASA created the Southern Union Revolving Fund, Inc. as a separate Tennessee nonprofit corporate subsidiary. SURF was created to facilitate the selling of Notes to Seventh-day Adventist affiliated investors, and to help comply with accounting deadlines and certain state securities law requirements to which such note selling activities are subject.

SUCASA is the legal corporate entity of the Southern Union Conference of Seventh-day Adventists (the “Southern Union Conference”), which is an administrative unit of the Seventh-day Adventist Church. The Seventh-day Adventist Church, with over 21,912,000 members world-wide, is organized to promulgate the Gospel of Jesus Christ and advance the welfare of mankind. The Seventh-day Adventist Church is organized in the following manner:

*Local church organization.*

*Local Conferences* made up of a group of local churches.

*Local Conference Associations*, which are the legal organizations for the local Conferences. A local Association holds title to all the local church properties, as well as the properties of the related local Conference. Each local Association manages all the trust programs of its related local Conference.

*Union Conferences*, which are made up of several local Conferences. The Southern Union Conference is comprised of the following eight local Conferences: Carolina Conference of Seventh-day Adventists, Florida Conference of Seventh-day Adventists, Georgia-Cumberland Conference of Seventh-day Adventists, Gulf States Conference of Seventh-day Adventists, Kentucky-Tennessee Conference of Seventh-day Adventists, South Atlantic Conference of Seventh-day Adventists, South Central Conference of Seventh-day Adventists, and the Southeastern Conference of Seventh-day Adventists. The geographical boundaries of the eight local Conferences comprising SUCASA are contained within one or more of the eight states of Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee.

*Union Conference Associations*, which serve the same function for the Union Conferences as the local Conference Associations for the local Conferences. SUCASA is the legal body of the unincorporated Southern Union Conference.

*A division*, which is made up of several Union Conferences.

*General Conference of Seventh-day Adventists*, which is the head organization for the world church.

*General Conference Corporation of Seventh-day Adventists*, the legal body for the General Conference of Seventh-day Adventists.

The local Conferences and Union Conferences are unincorporated. The Conference Associations are organized as nonprofit corporations under state law. The function of the Conferences is to coordinate the activities of the church program, collect and disburse the tithe and other funds of the church, and to lead and maintain the spiritual leadership of the church. This is true at all levels of the organizations. While all entities are affiliated through their common religious identification and interest, each is autonomous from the other. The debts and liabilities incurred by SUCASA and its subsidiary, SURF, are independent of the financial structure of any other units of the denomination. Such other entities will have no legal obligations with respect to the Notes or Note holders.

SUCASA was incorporated in the State of Tennessee in 1908 as a nonprofit corporation and is the legal body of the church for the Southern Union Conference, an unincorporated organization. SUCASA holds title to all properties, and manages these properties for the Southern Union Conference. SUCASA also manages the trust programs of the Southern Union Conference.

The Southern Union Conference and its incorporated legal body, SUCASA, are affiliated with, but are a distinct and separate entity from, SURF. The Southern Union Conference receives a portion of the tithes and offerings of the church and disburses such funds according to the policies of the church that apply in the circumstances. The Southern Union Conference has denominational responsibility for the eight southeastern states of Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina and Tennessee. Approximately 275,200 Seventh-day Adventist members reside in these states. Eight local Conferences are organized within the territory of the Southern Union Conference. These eight local Conferences are:

*Carolina Conference of Seventh-day Adventists,*

*Florida Conference of Seventh-day Adventists,*

*Georgia-Cumberland Conference of Seventh-day Adventists,*

*Gulf States Conference of Seventh-day Adventists,*

*Kentucky-Tennessee Conference of Seventh-day Adventists,*

*South Atlantic Conference of Seventh-day Adventists,*

*South Central Conference of Seventh-day Adventists, and*

*Southeastern Conference Seventh-day Adventists.*

The executive offices of the Southern Union Conference, SUCASA and SURF are located at 302 Research Drive, Norcross, Georgia 30092. The phone number is (770) 408-1800.

SURF and SUCASA also maintain a Tennessee office at 850 Conference Drive, Goodlettsville, Tennessee 37115. The phone number of the office is (615) 859-1391.

## **THE OFFERING OF NOTES**

SURF offers the Notes for sale in eight states. The Notes are unsecured obligations of the Revolving Fund, having the same priority in its assets as the other outstanding obligations of SURF. Unsecured obligations mean that the Revolving Fund Notes do not have any specific assets of SURF pledged specifically to pay them first. As a result, the holders of the Notes will stand in the same shoes and place as other unsecured creditors of the Revolving Fund. For example, the mortgage on a home secures a debt owed by a homeowner and is the first obligation paid when the home is sold. Thus, the home stands as security for the loan. There is no specific security for the obligation of the Revolving Fund to pay the Notes. Note holders are, thus, general unsecured creditors of the Southern Union Revolving Fund, Inc.

The offerings are made in each state by separate offering circulars pursuant to exemption from registration or other qualification by applicable regulatory procedures. The amounts offered in each state by SURF are dependent upon a number of factors, including the estimated sales potential in the state and the necessity for compliance with applicable state securities laws. The total amount to be offered during 2023 will be approximately \$221,500,000. The offering in Florida will be up to \$80,000,000 principal amount of Notes, inclusive of the principal amount of Notes presently outstanding owned by Florida residents or Florida based organizations affiliated with SUCASA.

## **RISK FACTORS**

An investment in the Revolving Fund 90-day demand Notes is subject to numerous risks, including those described elsewhere in this Offering Circular. Among the risks commonly associated with investments in the Revolving Fund Notes are the following:

1. **Notes Are Unsecured.** The Notes are unsecured obligations of SURF. Accordingly, owners of the Notes are unsecured creditors of SURF. As of December 31, 2021, approximately 62.02% of the net funds cumulatively raised from the sale of the Notes have been loaned to denominational entities for construction of local Seventh-day Adventist churches and other Seventh-day Adventist affiliated buildings. The balance of such funds (approximately 37.98% of the total Notes proceeds) have been invested by SURF in securities, investments, cash and cash equivalents, as described below under “Investment Policies.” While losses from defaults on loans to denominational entities are not expected, they are possible. SURF’s policy with regards to these loans includes an evaluation of credit-worthiness, a requirement that the applicable local Conference guarantee the borrowing denominational entity’s loan and an examination of various other criteria designed to reduce default risk. Additionally, SURF believes the borrowing

entities are not primarily dependent upon contributions and donations to satisfy loan repayments. Monies will be set aside from the earnings on each loan to cover the possibility of defaults. This is referred to as the “reserve fund” and is outlined in the Statement of Financial Position and Statement of Activities included as part of SURF’s Financial Statements included in this Offering Circular.

2. **Adverse Economic Effects of the Continuing COVID-19 Pandemic.** The onset of COVID-19 epidemic in the United States in the spring of 2020 resulted in a temporary full and/or partial closure of certain Seventh-day Adventist churches by government order or voluntarily to reduce the risk of disease contagion among church members. Such circumstances resulted in a short-term decrease in charitable donations to certain churches that are borrowers from the Revolving Fund. Due to the COVID-19 pandemic, SURF made some concessions for any churches that experienced hardship by allowing those churches to complete a Temporary Loan Modification Application with the following three temporary loan modification options: partial payment, interest only, or pay less than the monthly interest charge and instead allow interest to accrue on the loan. However, proactive measures such as increased access to online giving and internet streaming of church services facilitated the restoration of engagement of church members and a full recovery of giving levels by Seventh-day Adventist church members by late 2020 and an increase in overall tithing amounts in 2021 and 2022. The lingering effects of the COVID-19 pandemic has not resulted in a higher level of defaults or material losses from any SURF loans or any material diminishment in SURF’s ability to pay all its obligations as they become due, including all its obligations on the Notes. However, SURF cannot predict the future economic or other effects on SURF of the outbreak of any new variants of COVID-19 or of any other systemic health-related crisis that might occur.
3. **Non-Marketable and Non-Transferable.** The Notes are not transferable. There is no market for these types of Notes, and thus, should you wish to sell them on the open marketplace, you would be unable to do so. The Revolving Fund Notes are not liquid investments. There is a time lag before you will receive your money back on the Notes since the Notes are not payable to you until 90 days after you ask for payment.
3. **Payment Not Immediate.** The Notes are open end promissory notes not payable to you until 90 days after you make written request for payment.
4. **Notes Are Taxable.** Interest paid or payable on the Notes is taxable to you as ordinary income when it is received; therefore, the interest income will be added to your taxable income in the year in which it is paid.
5. **Interest Rate on Notes Can Fluctuate.** The interest rate payable by SURF on the Notes is also subject to change as set forth in the Note.
6. **Loans Made By SURF With Proceeds of Notes Are Made to Affiliates.** The relationship between the Revolving Fund and its denominational entities, which are borrowers for the purpose of construction loans, cannot be compared to that of a non-

affiliated arm's length commercial lender. The loan policies of SURF for loans to affiliated churches and related religious organizations are less stringent than loan policies of commercial lenders. The Revolving Fund, for example, might be willing to accept a deferred or late payment that a regular commercial lender would not accept under similar circumstances. Additionally, loans made to SUCASA and the eight other local Conferences are not secured.

7. **Speculative Investment.** The Revolving Fund Notes are speculative investments. Risks of investment in the Notes may be greater than implied by relatively low interest rates on the Notes. They are not insured or guaranteed by any government entity. Changes in the real estate market and commercial lending rates could impact on the Revolving Fund's loan portfolio and repayment of these Notes. In the event there is a default in one of the mortgages made on funds in the Revolving Fund, there could be costs of resale and costs of the foreclosure, as well as the risk that properties and the buildings on them could not be resold.
8. **Real Estate Risks of Loan Collateral.** In the event of default on any of the loans made by SURF and the foreclosure by SURF of a mortgage securing a loan, the real estate property subject to the mortgage may not sell for its appraised value since the appraised value of a religiously used property is based on its value as a special purpose property such as a sanctuary or educational facility. Its limited use may adversely affect the marketability or fair market value of the property.
9. **No Priority over Prior or Subsequent Notes.** The Revolving Fund Notes purchased this year have the same priority and ranking as all other prior and future unsecured obligations of SURF.
10. **Changes in Tax Laws.** Future changes in State and Federal laws could affect the tax-exempt status of SURF and possibly result in SURF's decision not to continue the Revolving Fund.
11. **Value of Investment Assets of SURF Could Change.** SURF's liquid assets invested in readily marketable securities are subject to various market risks which may result in losses if market values of investments decline.
12. **SURF's Financial Position Could Change.** In order to maintain a positive financial position, SURF maintains liquid assets invested in readily marketable securities as well as a "reserve fund" as outlined in the Statement of Financial Position and Statement of Activities included as part of SURF's Financial Statements included in this Offering Circular. SURF does not significantly rely on investors purchasing new Notes to maintain a positive financial position. Because of SURF's prior experience of relatively stable mid- to long-term holding period of the Notes by investors, SURF does not anticipate repayment demands to exceed historical investment rates. If, however, rates of repayment demands were to shorten the historical length of the holding period of the Notes and the "reserve fund" failed to satisfy payment demands, SURF may not be able to meet its financial obligations.

13. **Fixed Income Investment Assets of SURF Are Subject to Market Risk:** As part of its investment strategy, SURF places a portion of its assets in fixed income investments, such as bank certificate of deposit, with maturity dates as far as 10 years in the future. Pursuant to SURF Investment Policies, fixed income investments never exceed federally-insured limits. However, the value at which SURF could “cash out” prior to the maturity date is subject to then-present market and regulatory condition in the banking industry. Systemic market volatility, bank distresses, and/or early withdrawal penalties could negatively affect the value of SURF’s fixed income investment, if SURF exits these investments prior to their maturity dates.
14. **Securities Laws.** The sale of securities is heavily regulated by state agencies. New laws or regulations, changes to existing laws or regulations, loss of licensure, or failure to obtain licensure could, among other things, affect SURF’s ability to issue Notes or make new loans, SURF’s reliance on exemptions from certain securities registration requirements, and may possibly result in SURF’s decision not to continue the Revolving Fund.

## **USE OF PROCEEDS**

Proceeds received from the sale of Notes in Florida and in other states are (1) loaned to Seventh-day Adventist affiliated churches, church schools, or other approved denominational institutions for capital expenditures that include, but are not limited to, building construction, acquisition of fixed assets, and major capital improvements, (2) held in short term liquid financial assets as a. reserve for additional loans to eligible Seventh-day Adventist affiliated organizations, (3) held in short term liquid financial assets as part of a “reserve fund” to ensure adequate availability of funds to pay Notes as they are redeemed by their owners, or (4) held in Fixed Income Investments as described in SURF’s investment policies described herein.

SURF seeks to loan funds to Seventh-day Adventist affiliated institutions located in the same local Conference generally in amounts substantially equivalent to the total proceeds of Notes sold in that Conference. If there is no demand for loans meeting SURF’s loan policy requirements in the local Conference territory which supplied the funds, then the funds can be released by that Conference to be loaned to either institutions in any of the other seven local Conferences making up the Southern Union Conference or to organizations or institutions directly owned by SUCASA. Twenty five percent of the Revolving Fund will be invested in liquid and short-term financial assets to satisfy liquidity requirements of a reserve fund. As of October 31, 2022 the total assets of SURF in cash, cash equivalents and short-term securities and investments equaled \$156,550,728. Another \$117,598,086 of SURF’s assets represent the short and long-term obligations of borrowers, all of which are Seventh-day Adventist organizations or their affiliates, to pay loans made by SURF to Seventh-day Adventist affiliated churches, church schools, or other approved denominational institutions for building construction and acquisition or major capital improvements.

SURF’s unrestricted net assets totaled \$83,204,114 as of October 31, 2022. This amount includes the “reserve fund” which totaled \$41,174,396 as of October 31, 2022. Assets in the

reserve fund and other assets of SURF in excess of the need for church loans are invested in readily marketable securities or other short-term assets or Fixed Income Investments in accordance with established investment policies.

Since 2012, the reserve fund has maintained its minimum funding level. On December 13, 2022, the Board of Directors of SURF voted to approve a distribution equal to 50% of reserve fund allocation to be determined at the close of the 2022 financial audit, from the reserve fund to SUCASA, SURF's the nonprofit association that is SURF's sole member. SUCASA will then distribute such funds to participating Conferences for charitable and religious purposes, consistent with the purpose of the overall Revolving Fund. This distribution to SUCASA will be expensed in 2023. Consistent with SURF's prudent and reasonable policies and in compliance with applicable laws, including maintaining a sound reserve fund, the Board of Directors of SURF reserves the flexibility to significantly increase the amount of distributions to SUCASA for use by SUCASA's in furtherance of its charitable and religious purposes.

For a description in tabular form of SURF's outstanding investments categorized according to the types of investments held (equity securities, government securities, corporate bonds, etc.) and which discloses the amount invested in each category, see Note 5 — Securities and Investments — and the Supporting Schedules and Analysis of the Financial Statements.

As of October 31, 2022, the amount of each major category of SURF's securities and investments and the percentage each category represented as a portion of (i) all of SURF's cash, cash equivalents, securities and investments and (ii) all of SURF's assets were as follows (rounded to nearest 000):

	Cost	% of Cash, Cash Equivalents, Securities and Investments (\$156,550,000)	% of Total Assets (\$274,181,000)
Checking accounts	\$15,062,000	9.6%	5.5%
Money market accounts	\$106,265,000	67.9	38.7
Certificates of deposit	\$25,000	0.0*	0.0*
SDA International Equity	\$4,301,000	2.7	1.6
SDA ST Bond Index	\$169,000	.1	.1
SDA Large Cap Equity Index	\$9,323,000	6.0	3.4
SDA Mid & Small Cap Equity Index	\$4,284,000	2.7	1.6
Gov't Bonds	\$4,409,000	2.8	1.6
Corporate Bonds	\$4,326,000	2.8	1.6
Unrealized appreciation/depreciation	\$8,389,000	5.3	3.0
<u>Total Market Value</u>	\$156,550,000	100.0%	57.1%

\* Rounded to nearest single decimal.

SURF dramatically reduced its holdings of government bonds and corporate bonds since December 31, 2021 in response to escalating inflation and the Federal Reserve's aggressive monetary policy of raising short-term interest rates. Instead, SURF now holds the majority of its investable assets in money market accounts invested in short-term U.S. Treasury notes and U.S. Treasury instruments, in both instances with less than six-month maturity dates.

## INVESTMENT POLICIES

These investments of SURF's assets not in the form of loans (i.e., notes receivable owed by Seventh-day Adventist affiliated entities which have borrowed from SURF) funds are made according to policies adopted by SURF's Investment Committee from time to time. Current investment policies require the following:

- A. Only financially stable, well capitalized, highly rated commercial banks shall be used for checking accounts.
- B. Short-term Investments:



1. All fixed income investments with a final maturity date of one (1) year or less shall be considered short-term investments.
2. Up to 100% of the Revolving Fund may be invested in the following short-term issues:
  - a. No limitations are placed on the purchase of securities issued by the US government, or an agency thereof guaranteed by the US government.
  - b. Quality, Diversity & Liquidity: All short-term securities purchased must have adequate market liquidity, should not represent a significant exposure relative to the size of the total portfolio and must be rated A1/P1 or equivalent.
  - c. General Conference Unitized Fund.
  - d. SEC registered money market mutual fund with the following limitations:
    - i. Money market mutual fund must have in excess of \$250,000,000.00 total assets.
    - ii. The weighted average days to maturity (“WAM”) must be 120 days or less.
    - iii. The money market mutual fund only invests securities rated in investment grade or better by at least two (2) recognized statistical rating organizations.
  - e. Savings accounts with banks, savings and loan associations, building societies and credit unions limited to amounts covered by insurance provided by the appropriate national government agencies.
  - f. Bankers’ acceptances issued by US banks or major foreign banks - when the commercial paper issued by such bank or holding company is rated A1/P1 by at least two (2) recognized statistical rating organizations or if the investment is limited to an amount covered by national government insurance.
  - g. Certificates of deposit or master notes issued by US banks or major foreign banks - when commercial paper issued by such bank or holding company is rated A1/P1 by at least two (2) recognized statistical rating organizations or if the investment is limited to an amount covered by national government insurance.
  - h. Commercial paper investment rated A1/P1 by a least two (2) recognized statistical rating organizations.
3. Concentration - At no time shall the fund invest more than 10% of the total assets in the securities of any one issuing organization or backed by the credit worthiness of any single organization.

C. Fixed Income Investments:

1. All fixed income investments with a final maturity date of one (1) year or greater shall be considered fixed income investments.
2. Up to 100% of the Revolving Fund may be invested in fixed income instruments meeting the following provisions:
  - a. Quality: Marketable bonds held in the portfolio must be rated “investment grade” or better by Standard & Poor’s (BBB- or higher) and Moody’s (Baa3 or higher). If Moody’s or S & P do not rate a security, then the

Fitch (BBB- or higher) rating will be used. For split rated securities, the higher of the two ratings will apply.

- b. Notification of Downgrades to Below Investment Grade: Should a fixed-income security be downgraded to below investment grade, the Investment Manager shall, as promptly as practicable but no later than five (5) business days after the downgrade, notify the Investment Committee or a duly or a designee and the Investment Consultant in writing. The Investment Manager shall sell the security as soon as prudently practicable following the downgrade. In the Investment Manager's notification to the Union, the manager shall outline the conditions that led to the company's rating deterioration, the Investment Manager's plan of action (including timeframe) with regard to holding or selling the security. If the Investment Manager does not intend to sell the security within ten (10) business days after the downgrade (because the Investment Manager concluded that it would be prudent to do so), the Investment Manager's notice shall also include a detailed explanation for the rationale for that decision. Notwithstanding its notice to the Investment Committee or a designee and the Investment Consultant, the Investment Manager shall at all times remain responsible for all decisions regarding the prudent investment and disposition of Revolving Fund assets under its management, including, without limitation, any downgraded securities.

<b>BOND RATING CODES</b>		
<b>Permitted Ratings</b>	<b>S&amp;P</b>	<b>Moody's</b>
Highest quality	AAA	Aaa
High quality	AA	Aa
Upper medium quality	A	A
Medium grade	BBB	Baa
<b>Prohibited Ratings</b>		
Somewhat speculative	BB	Ba
Low grade, speculative	B	B
Low grade, default possible	CCC	Caa
Low grade, partial recovery possible	CC	Ca
Default, recovery unlikely	C	C

- c. Reporting Requirements for Below Investment Grade Bonds: Should the Investment Manager continue to hold such a downgraded security in the portfolio, it shall provide the Investment Committee or a designee and the Consultant with monthly updates in writing of the status of the security (including, without limitation, a detailed explanation for the rationale for continuing to hold the security in the portfolio and updated information

with respect to the Investment Manager's plan of action), as well as prompt notification of any further rating deterioration.

- d. Portfolio Duration: The Revolving Fund has set no duration target. However, the duration of the combined fixed income and cash portfolios should not exceed four (4) years.
- e. Security Maturity: The Revolving Fund will not make any further purchases of securities with a final maturity greater than ten (10) years.
- f. Concentration by Issuer: Investments in any one issuer or backed by any one issuer, other than US government and agency securities, shall not exceed 5% of total portfolio assets based on market value.
- g. Marketability: All fixed income securities purchased must have adequate market liquidity. Adequate market liquidity shall be determined by the Revolving Fund's ability to liquidate an investment in a timely manner in accordance with its terms and the reported value of an investment that SURF considers to possess "adequate market liquidity" may not necessarily be reduced to include factors such as the potential loss of principal or interest due to market conditions or early withdrawal penalties.
- h. Up to 25% of the SURF loan portfolio may be invested in mortgage related and asset backed securities, with the following exceptions:
  - i. Subordinated debt is prohibited.
  - ii. All agency and non-agency CMO's must be rated AAA or better.
  - iii. IO's, PO's, Inverse floaters and all other leveraged tranches are prohibited.
  - iv. Real estate mortgages are limited to 90% of the fair market value of the collateral.
- i. General Conference unitized funds (See Note 5 to the accompanying financial statements).
- j. SEC registered bond mutual funds conservatively constructed and managed in compliance with these guidelines.
- k. Foreign-related fixed income is prohibited.
- l. Rule 144A securities are prohibited.
- m. Futures, options and other derivative contracts are prohibited.
- n. Convertible bonds, convertible into common stock, are considered equity securities and thus are prohibited from being purchased as fixed income securities.
- o. REIT's are considered equity securities by the Fund and thus are prohibited from being purchased in the fixed income portion of the portfolio.

D. Equities: Equities are not permitted in the Revolving Fund.

It is expected that the portfolio will be managed with the objective of total return. Therefore, sales of securities need not be restricted in any manner but shall be based on the investment merits of each security in the portfolio.

The Investment Committee of the Board of Directors of SURF adopts, subject to general direction of the Board of Directors, and implements the investment policies of SURF. The current members of the SURF Investment Committee, which include advisory members who are not members of the SURF Board of Directors, and their relationship to the Southern Union Conference, SUCASA or one of the eight local Conferences comprising the Southern Union Conference are:

David Freedman *	Vice-President of SURF and Treasurer of the Southern Conference (Chairman)
Dave Colburn*	Associate Vice-President of SURF and Undertreasurer of the Southern Union Conference
Carlos C. Salazar*	Treasurer of SURF and SUCASA
Peter DeVries	Assistant Treasurer of SUCASA
Richard D. Russell	Carolina Conference Treasurer
Elisa Rahming	Florida Conference Treasurer
Kurt Allen	Georgia-Cumberland Conference Treasurer
Gwen Speak	Gulf States Conference Treasurer
George Crumley	Kentucky-Tennessee Conference Treasurer
Merkita Williams	South Atlantic Conference Treasurer
Sonja Crayton	South Central Conference Treasurer
Emmanuel Charles	Southeastern Conference Treasurer
Doug Frood	Southern Adventist University Controller

\* Indicates that he is a member of the Board of Directors of SURF.

None of the proceeds of the Notes will be used for expenses of the Revolving Fund. Such expenses will be paid partially by earnings on loans made to church institutions, from other revenues of SURF or SUCASA, and in part by the eight local Conferences making up the Southern Union Conference of Seventh-day Adventists.

SURF is on a modified fund accounting system of record keeping. All assets, revenue and expenses of the Revolving Fund are maintained completely separate from the operations of SUCASA and the Southern Union Conference. Accordingly, the financial activities of SUCASA and the Southern Union Conference should not adversely affect the operation of the Revolving Fund. As an affiliate of the Seventh-day Adventists, the Revolving Fund operates in compliance with the working policy of the North American Division of the General Conference of Seventh-day Adventists.

## LENDING ACTIVITIES

The proceeds from the sale of the Notes are used to make loans to Seventh-day Adventist churches, schools, and certain other denominational facilities, for the purpose of building construction, acquisition, or major renovation. The Seventh-day Adventist Church also operates some health care institutions. However, because these health care institutions, which are affiliated with the Adventist Health System/Sunbelt Health Care Corporation, have such extensive borrowing requirements they are not eligible to receive loans from SURF.

As of December 31, 2022 there were 328 loans made by SURF outstanding. The total outstanding balance owed on these 328 loans as of December 31, 2022 equaled \$117,598,285, of which \$7,302,702 was payable by December 31, 2022. As of November 30, 2022, only 43 of the loans had an original loan amount exceeding \$1,000,000 of which only 5 had an original loan balance of \$4,000,000 or more. Twenty-two of the loans are still in the construction draw phase for which a maturity date has not yet been established, but will likely be 20 years with equal monthly payments of principal and interest. Of the 328 outstanding loans with fixed maturity dates as of November 30, 2022, the maturity dates over the next twenty years are as follows:

Summary of Loan Maturity Dates \*\*

2022= 0	2023= 1	2024= 4	2025= 6
2026= 7	2027= 11	2028= 10	2029= 25
2030= 42	2031= 17	2032= 14	2033= 26
2034= 36	2035= 22	2036= 27	2037= 11
2038= 18	2039= 13	2040= 17	2041= 11

\*\*SURF reserves the right (as determined by the SURF Board of Directors) to require any borrower to repay a loan in full upon 90 days' notice by SURF regardless whether the loan is in default. Historically, SURF has not exercised the right to accelerate a non-defaulted loan.

## LOAN POLICIES

Interest rates on loans made by SURF are set at rates which are variable during the term of the loan as determined by the Board of Directors of SURF from time to time. The rate has customarily been set within a range of an annual rate 1.75% (175 basis points) to 2.50% (250 basis points) higher than the rate payable by SURF on the Notes. SURF generally tries to set the interest rate on its Notes at a rate slightly below the prevailing money market lending rates. The SURF Board of Directors set the interest rate, effective January 1, 2023, paid on the Notes at 2.50% and the interest rate it charges on its loans at 4.50%. Effective as of January 1, 2018, a change in the interest rate charged by SURF on its loans, either up or down, automatically results in a new amortization schedule reflecting new monthly payment throughout the remaining life of the loan. No dollar limits have been set on loans, but certain guidelines are applied. When the principal balance on a loan meets or exceeds \$100,000, the loan is usually secured by a mortgage and lien covering the real property at which the denominational facility is being constructed or renovated with loan proceeds. Loans for less than \$100,000 are not secured. As of November 30, 2022, the aggregate total of the principal balance of unsecured loans was \$1,760,814 of the \$116,634,056 aggregate outstanding amount of loans made by SURF are secured by a first priority mortgage on the borrower's real property. SURF is in the process of obtaining a first

priority mortgage to secure the remaining loans whose principal balance meets or exceeds \$100,000, except for those loans to SUCASA and the eight local Conferences, which are not secured. In the case of churches and local Conference facilities, the loans must be guaranteed in writing by the local Conference concerned, and are reflected on the books of the local Conference as a contingent liability. 100% of the \$116,634,056 of total loan amounts outstanding as of November 30, 2022 either are the direct obligation of a local Conference (\$14,737,829) or are guaranteed by a local Conference (\$101,896,227). Each loan made to finance the construction of SUCASA and local Conference facilities constitutes a financial obligation of SUCASA and such local Conference. Loans may total up to sixty-five percent of the cost of a project including the land cost. The remaining thirty-five percent of needed funds must be in hand before construction may begin. Loans will only be made with the written approval of the local Conference in whose corporate name the property is to be deeded. The local Conference and the church or institution receiving the loan proceeds will be the obligors required to pay the loan. Loans will be made to churches for a maximum term of twenty years, at which time they will be fully paid. The term for loans to other organizations may be longer, but will be consistent with denominational policy as formulated by the General Conference of Seventh-day Adventists. Although the documents evidencing the loans provide for a multi-year maturity, typically of fifteen to twenty years, they also clearly state the right of SURF on 90 days written notice to the borrower to demand payment in full of all principal and interest owed on the Note even if the loan is not in default. The right to “call” a loan on 90 days’ notice provides SURF with the flexibility to liquidate some of its loan portfolio in order to generate additional cash if there were an unanticipated heavy demand by holders of Notes for payments on Notes. SURF has never exercised the right to accelerate the maturity date of a non-defaulted loan. Even if SURF did exercise such right, it is doubtful that many borrowers, which are customarily churches without significant cash reserves, could pay a lump sum payment of all principal and accrued interest due on a Note on 90 days’ notice. In such event, SURF might make demand on the Conference guarantor for payment. SURF does not anticipate the need to call any non-defaulted loans in reliance on the 90-day notice provision.

Loans are made after an application properly executed by the prospective borrowing institution is approved by the local Conference, and then submitted and approved by the Loans Committee of SURF. Presently, the members of the Loans Committee are:

David Freedman *	Vice-President of SURF and Treasurer of the Southern Union Conference (Chairman)
James R. Davidson *	Secretary of SURF
Dave Colburn*	Associate Vice-President of SURF and Undertreasurer of the Southern Union Conference
Carlos C. Salazar *	Treasurer of SURF and SUCASA
Les Speer*	Planned Giving and Trust Services Director of SUCASA
Peter DeVries	Assistant Treasurer of SUCASA
Kristina Mace	Associate Treasurer, Southern Union Conference
Mariel Lombardi	Customer Service/Account Specialist, SURF

\* Indicates that he is a member of the Board of Directors of SURF.

## **LOAN PROCESSING**

All building plans or purchase plans must be approved by various organizational levels of the Seventh-day Adventist Church, depending on the cost of the project. No loan applications will be accepted unless these approvals are in hand. Applications are available at the local Conference office. After completing the form, the church or institution submits it to the local Conference for approval. The local Conference processes it and sends it to SURF where a committee made up of the following as available: president, vice-president, treasurer, secretary, assistant treasurer, and director of trust services will consider the application and pass it on.

Prior to or at the time of disbursement of a loan whose principal meets or exceeds \$100,000, a mortgage and other lien covering the financed real property and personal property must be executed and recorded unless a waiver is approved by the Loans Committee. Such mortgage and lien shall be in a form acceptable to the Revolving Fund and in the case of real property shall be recorded in the public records where the property is located. In the case of a lien against equipment or other tangible property, it shall be filed and recorded as required to comply with the Uniform Commercial Code or other similar statute governing liens against personal property. In the case of real property, prior to disbursement, SURF must be furnished a title insurance commitment showing those matters that shall be required for SURF to hold a first mortgage or lien against the real property, subject only to standard exceptions and those other matters that do not adversely affect the lien of SURF. Subsequent to closing, a mortgagee title policy must be furnished to the Revolving Fund. In lieu of title insurance, the Revolving Fund may accept an Opinion of Title issued by an attorney authorized to practice in the jurisdiction where the property is located. All loan closing expenses shall be paid by the borrowing entity. These requirements do not apply to any of the loans made by SURF with SUCASA or any of the eight local Conferences, and are waived for all loans less than \$100,000.

Prior to closing, the Revolving Fund requires proof of hazard insurance for all improvements on the property to the full insurable value of the property, with SURF named as mortgagee or additional insured. Such insurance must be kept current at all times during the term of the loan.

## **LOAN DELINQUENCIES**

Loans made by SURF are considered delinquent once they are 60 days past due. Once a loan becomes 120 days past due, the Revolving Fund will negotiate with the local Conferences on a repayment of the delinquent portion of the loan. Effective January 1, 2016, a new policy was approved by the Board requires the local Conference to pay the past due portion of any church borrowings from SURF that are 120 days delinquent by either direct billing or reduction from monthly subsidies. An allowance account has not been established for these past due loans since they are either secured by a lien, guaranteed by a Conference (or in the case of eight loans made directly to a Conference, is a direct obligation of a Conference), or secured by Conference deposits. The Revolving Fund does not believe that it is exposed to any significant credit risk in connection with the extension of credit to its borrowers.

SURF maintains a “reserve fund” into which it annually transfers the net earnings of the Revolving Fund in an amount equal to fifty percent of the interest spread. This fund will be limited to a maximum of twenty five percent of the Revolving Fund. In the event a loan becomes 120 days delinquent, the Revolving Fund will negotiate with the local Conference obligor or guarantor on a repayment of the Notes. The reserve fund is also available to cover such losses. The local Conference is responsible for payment of those loans that it has guaranteed. SURF has never experienced material loan delinquencies. Loan delinquencies of greater than 120 days have not exceeded 7% of SURF’s outstanding loan balances in any of the last five years. As of October 31, 2022, no loans are more than 120 days past due. As of October 31, 2022, monthly payments totaling approximately \$28,900 were more than 60 days delinquent. The outstanding principal balance on those loans as of October 31, 2022 equaled \$1,310,700. SURF has never incurred any loan losses.

Since January 1, 2022, any loan that becomes 120 days delinquent is brought current by transferring the debt to the co-signing Conference in the amount that the loan is delinquent. Any such amount will be collected from the Conference either by an ACH withdrawal on the first business day of the month, a check from the Conference, or a transfer from their Reserve Fund held at SURF.

The adverse effects of the COVID-19 pandemic, including economic uncertainty or recession, could increase the risk of default by loan borrowers and increase the risks that such borrowers would seek deferral or other modifications of loan terms. Because of the large size of SURF’s reserve funds, the conservative nature of SURF’s loan policies and investment policies and the affiliated nature of its borrowers’ relationship to SURF, and SURF’s successful record of no loan losses during prior periods of economic downturns, SURF does not anticipate that any such adverse effects will result in material losses from any SURF loans or any material diminishment in SURF’s ability to pay all its obligations as they become due, including all its obligations on the Notes.

## MANAGEMENT

SUCASA and SURF, as Tennessee non-profit corporations, have no shareholders but SUCASA is the sole member of SURF and possesses the rights and authority of a member under the Tennessee Nonprofit Corporation Act. The management of the affairs of SUCASA and SURF is primarily conducted by its respective Board of Directors, all of whom serve for five-year terms. The board consists of not more than fourteen persons who are elected by constituent delegates at each regular session of the Southern Union Conference of Seventh-day Adventists. The directors have the authority to fill any vacancies which may occur in the interim between meetings of the membership. Certain elected officers of SUCASA and SURF are normally installed as board members. All terms will expire in 2027.

The following persons currently serve as directors of SURF:

**RONALD C. SMITH**, President and Board of Directors Chairman, was re-elected president of SURF in September 2021. He previously served as Secretary of the Southern Union Conference of Seventh-day Adventists. For eight years, he was Vice President of the Review and Herald



Publishing Association and Editor of Message Magazine. He received a B.A. degree from Oakwood College in 1979; a Masters of Divinity from Andrews University Theological Seminary in 1982; a Doctor of Ministry degree from Colgate University and a PhD in Psychology from Fuller Theological Seminary. His business address is 302 Research Drive, Norcross, Georgia 30092.

**DAVID FREEDMAN**, Vice-President and Director, was appointed as Vice-President of SURF and Treasurer of the Southern Union Conference by the Southern Union Executive Committee on December 19, 2018. He was re-elected in September 2021. Previously, he was Vice President for Finance of the Upper Columbia Conference for one year. For six years previous to 2017, he was Vice President for Finance of the Oregon Conference of Seventh-day Adventists. From 2002-2011, he served concurrently as Vice President for Finance for Texico Conference of Seventh-day Adventists and treasurer of Sandia View Academy. His business address is 302 Research Drive, Peachtree Corners, Georgia 30092.

**JAMES R. DAVIDSON**, Secretary and Director, was re-elected Secretary of SURF, SUCASA and the Southern Union Conference of Seventh-day Adventists in September 2021 at the Constituency Meeting. He previously served as President of the Carolina Conference. He received B.A. degrees in Theology and Business Administration from Columbia Union College in 1976 and a Masters of Divinity degree from Andrews University in 1979. His business address is 302 Research Drive, Norcross, Georgia 30092.

**CARLOS C. SALAZAR**, Treasurer and Director, was re-elected as Treasurer of SURF and SUCASA in September 2021 at the Constituency Meeting. For four years previous to October 2006, he was Southern District Director for General Conference Auditing Services. He received a bachelor's degree in Accounting from Mountain View College in 1982, and became a Philippine Certified Public Accountant in 1984. His business address is 302 Research Drive, Norcross, Georgia 30092.

**DAVE COLBURN**, Director, was re-elected Vice-President of the Southern Union Revolving Fund in September 2021. He has been Under Treasurer of the Southern Union Conference since September 2016. He has previously served as Treasurer of the Atlanta Adventist Academy of the Georgia-Cumberland Conference of Seventh-day Adventist and as Treasurer of the Bass Memorial Academy of the Gulf States Conference of Seventh-day Adventist. He received a B.S. in Business Administration from the Southern Adventist University in 2001 and a Master of Business Administration degree from the Southern Adventist University in 2013. His business address is 302 Research Drive, Norcross, Georgia 30092.

**STEPHEN BOONE**, Director, CPA and FACMPE, has served as the CEO of Wilkens Medical Group in Jellico, Tennessee since 2015. He was the Group's Vice-President of Finance from 2002-2015. He held various accounting and finance positions with organizations and companies between 1994 – 2002. He is a member of the Georgia-Cumberland Conference Executive Committee, Finance Committee, and Chair of the Georgia-Cumberland Conference Audit Review Committee, and is a member of the Seventh-day Adventist North American Division Executive Committee. He holds a Bachelor in Business Administration – Accounting from Southern Adventist University (1993) and a Masters in Accountancy from the University of

Tennessee (1994). He is a former Chairman of the Jellico Community Hospital Foundation Board. His business address is Aaron Baird Rd, Pioneer, TN.

**BEN D. KOCHENOWER**, Director, CPA, CFE, DVA, CICA, CGMA, is a Certified Public Accountant licensed in the states of Maryland, South Carolina and Tennessee. He is the President and Chief Executive officer of Cline Brandt Kochenower & Co., P.A. He holds a BS (1972) from Southern Adventist University. He is a member of various accounting organizations and has served and continues to serve as a member of the board of directors and as an officer with various charities and organizations. His business address is West Floyd Baker Boulevard, Gaffney, South Carolina 29342

**JOHN “JACK” LEACH**, is a Certified Public Accountant. He studied at Andrews University in Berrien Springs, Michigan and received degrees in 1966 and 1970. He is past President of Tax & Financial Strategies, Inc. in Altamonte Springs, Florida. He currently lives in Apopka, Florida.

**VEE H. LEONARD**, Director, JD, is Vice President and General Counsel of Florida Gulf Coast University (Fort Myers, FL), a position she has held since January 2013. She has served as the University’s General Counsel since 2007, having joined the University as Assistant General Counsel in 2005. From 2001 until 2005 she was a municipal attorney for the city of Orlando and was in private practice with a law firm from 1999-2001. She is a graduate of Central Florida University (1994) and the University of Florida College of Law (1999). She has been a board director of the Florida Bar Foundation and received certification as a Compliance and Ethics Professional. Ms. Leonard is a member of the Florida Conference. Her business address is FGCU Boulevard, Fort Myers, FL.

**VERONICA BASS-LUCKETT**, Director, is the founder and principal of Express Tax & Financial Services, a tax preparation and advisory business in Springfield, Tennessee (formerly named V. Bass Income Tax Services). Previously, she served in various accounting and treasury-related positions for the South Central Conference for 17 years. She is a graduate of Oakwood University. Her business address is Memorial Boulevard, Springfield, TN.

**DONNA BOWERS PHILLIPS**, Director, DDS, is a dental surgeon in Hinesville, GA. After graduating from Howard University, College of Dentistry, in 1984, Dr. Phillips practiced dentistry as a commissioned officer in the U.S. Army for 13 years, attaining the rank of Lieutenant Colonel. Since 1997, Dr. Phillips has owned and operated Advent Dental in low country Georgia. She is a 1980 graduate of Oakwood University. Dr. Phillips is a member of the South Central Conference. Her business address is Main Street, Hinesville, GA

**TUI PITMAN**, Director, has worked for the Seventh-day Adventists denomination for over 40 years. He spent several years in South America running rolling clinics and pastoring a district of twenty-three churches. He has taught Bible, history and Spanish at Bass Memorial Academy and served as pastor, chaplain and principal while there. The last thirteen years before his retirement from Bass Memorial Academy, he worked as the Hispanic coordinator and ran the departments of Trust and Stewardship for the Gulf States Conference of Seventh-day Adventists.

**WILLIAM C. STONE**, Director, is a retired professional engineer. He holds a BSME (1969) and MSME (1973) from the University of Kentucky. During his career he has served in various industrial positions as a senior engineer, engineering manager, program manager, product planner and test engineer. He has held positions at Teleweld Inc., Streator Illinois, Hoover Universal, IBM and Lexmark Intl. He has also taught math and engineering courses at the University of Kentucky and at a local community college. He has served as his church treasurer since 1988 and is a member of Association Board and Executive Committee of KY-TN Conference of Seventh-day Adventists. He is also a Viet Nam veteran. He lives in Nicholasville, Kentucky.

The board of directors of SURF elects the officers of SURF. Four of the thirteen members of the board of directors of SURF are officers and employees of SURF. No officers or employees of SURF have written employment agreements with SURF, SUCASA or the unincorporated Southern Union Conference of Seventh-day Adventists.

## **REMUNERATION**

Members of the Board do not receive compensation for their services as a director. The aggregate amount of all remuneration paid to the three highest paid officers of SUCASA and SURF in 2022 was \$287,645.12. No officer received remuneration in excess of \$98,426.01 during 2022, and it is not anticipated that any will do so in 2023. None of these salaries are paid from the Revolving Fund, but are paid by the Southern Union Conference.

There is no beneficial ownership or material interest existing concerning any officer or director of SURF other than that certain of the officers and/or directors of SURF are also officers and/or directors of SUCASA, which is both a purchaser (holder) of SURF Notes and a borrower from SURF. All the officers and directors of SURF and SUCASA are also members of one of the eight Conferences comprising the Southern Union Conference. Some of the eight Conferences are purchasers (holders) of Notes, and each is a recipient of one or more loans from SURF or a guarantor of one or more loans to organizations affiliated with the Conference. See Schedules 3 and 4 of the Financial Statements for additional information.

## **RELATED PARTY TRANSACTIONS**

SURF is a subsidiary of SUCASA. The election of members of the board of directors of SURF is controlled by SUCASA. SUCASA regularly purchases and invests in Notes. The current balance of Notes owned by SUCASA equals approximately \$527.929. SURF's offices are leased rent free from SUCASA. The officers of SURF also hold offices in SUCASA. SURF pays an annual management fee to the Southern Union Conference of Seventh-day Adventists, the unincorporated affiliate of SUCASA, which totaled \$355,000 in 2021. During 2021, SURF did not make any loans to SUCASA.

The officers and directors of SURF routinely purchase and invest in the Notes. As of December 31, 2021, approximately \$783,082 of Notes were owned by the officers and directors of SURF. All officers and directors of SURF and all members of its Investments Committee and of its Loans Committee were members of a local Seventh-day Adventist church and some were

officers and/or delegates of local Conferences, some of which churches or Conferences were borrowers or guarantors of loans made by SURF. It is the policy of the SURF Loans Committee for any committee member to abstain from consideration of a loan to a prospective borrower of which he or she is an active officer.

## **DESCRIPTION OF NOTES**

The amount of Unsecured Investment Notes offered hereby total up to \$221,500,000 for the entire eight states in which they are offered. The purchase price of a Note is equal to the principal invested in the Note. These Notes are open-end promissory notes payable 90 days after written demand by the owner, except in South Carolina, where the Notes are 90-day renewal term promissory notes. Effective as of January 1, 2023, the demand Notes pay interest at the rate of 2.50% per annum. The interest rate payable on the Notes is set by the Board of Directors of SURF from time to time. There is no further requirement as to the amount to be purchased. Interest will accrue daily and be compounded monthly. Interest will accumulate as part of the Note unless the purchaser specifically requests that the interest be paid out quarterly. However, quarterly interest payments require a minimum balance of \$10,000.00. The interest rates may vary with prevailing rate of interest and in accordance with policies formulated by SURF. In 2022, the Revolving Fund had withdrawals of \$7,001,853 in Florida by owners of Notes who redeemed all or a portion of their Notes. After giving effect to refunding all deposits made by Florida depositors during the first calendar quarter of 2022, SURF did not accept any deposits from Florida investors in 2022. For the Southern Union states comprising this total offering Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee, during 2022 there were withdrawals of \$19,610,593 and new deposits of \$13,753,525 by purchasers of Notes. Unless requested by an investor, SURF does not issue a written paper promissory note, but, instead, maintains an account for each investor in the principal amount of Notes purchased plus accrued interest less redemptions of Notes.

Interest paid on the Notes is taxable to the investor (other than tax-exempt investors) as ordinary income under Federal income tax laws and is taxable as ordinary income to investors (other than tax exempt investors) under state income tax law in those states with income tax levies.

## **METHOD OF SALE**

Individual Seventh-day Adventist church members purchase Notes directly from the Revolving Fund through their local Conference or purchase Notes by establishing a revocable trust through the local Conference which invests in the Revolving Fund's Notes. No paid brokers are involved in the sale or distribution of Notes and no one is paid a commission or other remuneration in connection with the offer and sale of any of the Notes.

## **LITIGATION**

As of the date of this Prospectus, there were no suits, actions or other legal or administrative proceedings or claims pending against SUCASA or SURF, nor to SURF's

knowledge, against any officers or directors of SUCASA or SURF related to the operations or business of SUCASA or SURF.

**SOUTHERN UNION REVOLVING FUND, INC.**  
A wholly-owned subsidiary of Southern Union Conference  
Association of Seventh-day Adventists, Inc.

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2021, 2020, and 2019**

**SOUTHERN UNION REVOLVING FUND, INC.**  
A wholly-owned subsidiary of Southern Union Conference  
Association of Seventh-day Adventists, Inc.  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Southern Union Revolving Fund, Inc.  
Norcross, Georgia

### Opinion

We have audited the accompanying financial statements of the Southern Union Revolving Fund, Inc. (a nonprofit Tennessee Corporation) which is a wholly-owned subsidiary of the Southern Union Conference Association of Seventh-day Adventists, Inc., which comprise the statements of financial position as of December 31, 2021, 2020, and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southern Union Revolving Fund, Inc., as of December 31, 2021, 2020, and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Southern Union Revolving Fund, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Southern Union Revolving Fund, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute



assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Southern Union Revolving Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Southern Union Revolving Fund, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supporting schedules and analysis on pages 18-22 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*BARTO, Hoss + Company, P.C.*

Chattanooga, Tennessee  
March 30, 2022

**SOUTHERN UNION REVOLVING FUND, INC.**

A wholly-owned subsidiary of Southern Union Conference

Association of Seventh-day Adventists, Inc.

**Statements of Financial Position**

	<b>December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 13,925,861	\$ 21,253,081	\$ 22,010,767
Securities and investments	142,884,306	126,486,045	104,112,570
Accrued interest receivable	606,025	509,583	631,699
Notes receivable - short-term portion	<u>8,132,450</u>	<u>6,300,856</u>	<u>6,961,861</u>
Total Current Assets	<u>165,548,642</u>	<u>154,549,565</u>	<u>133,716,897</u>
Other Assets			
Notes receivable - long-term portion	<u>112,980,865</u>	<u>118,889,009</u>	<u>117,153,913</u>
Total Other Assets	<u>112,980,865</u>	<u>118,889,009</u>	<u>117,153,913</u>
Total Assets	<u><u>\$278,529,507</u></u>	<u><u>\$273,438,574</u></u>	<u><u>\$250,870,810</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable	\$ 30,640	\$ 28,595	\$ 35,032
Notes payable	<u>195,294,753</u>	<u>196,070,090</u>	<u>182,026,216</u>
Total Current Liabilities	<u>195,325,393</u>	<u>196,098,685</u>	<u>182,061,248</u>
Total Liabilities	<u>195,325,393</u>	<u>196,098,685</u>	<u>182,061,248</u>
Net Assets			
Without donor restrictions	<u>83,204,114</u>	<u>77,339,889</u>	<u>68,809,562</u>
Total Net Assets	<u>83,204,114</u>	<u>77,339,889</u>	<u>68,809,562</u>
Total Liabilities and Net Assets	<u><u>\$278,529,507</u></u>	<u><u>\$273,438,574</u></u>	<u><u>\$250,870,810</u></u>

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

**SOUTHERN UNION REVOLVING FUND, INC.**

A wholly-owned subsidiary of Southern Union Conference

Association of Seventh-day Adventists, Inc.

**Statements of Activities**

	<b>Years Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>Without Donor Restrictions</b>	<b>Without Donor Restrictions</b>	<b>Without Donor Restrictions</b>
Revenues and Other Support:			
Interest income - notes receivable	\$ 4,311,195	\$ 4,823,075	\$ 4,896,484
Investment income - investments	3,734,962	2,778,368	3,140,275
Gain (loss) on sale of investments	(231,318)	130,266	238,306
Unrealized gain (loss) on investments	1,812,936	5,034,267	5,265,152
Appropriations and subsidies	4,096	11,648	9,733
Other income (expense)	610	3,508	19,962
Total Revenues and Other Support	<u>9,632,481</u>	<u>12,781,132</u>	<u>13,569,912</u>
Expenses:			
Interest expense	1,965,635	2,739,531	3,530,702
Legal, accounting, and registration fees	120,091	112,244	83,999
Investment commissions and fees	523,990	512,510	453,157
Other management and general expenses	355,098	411,796	360,732
Premium amortization	<u>270,585</u>	<u>163,124</u>	<u>131,786</u>
Total Expenses, Before Reserve Fund Distributions	3,235,399	3,939,205	4,560,376
Reserve fund distributions (Note 8)	<u>532,857</u>	<u>311,600</u>	<u>268,964</u>
Total Expenses and Distributions	<u>3,768,256</u>	<u>4,250,805</u>	<u>4,829,340</u>
Change in Net Assets	5,864,225	8,530,327	8,740,572
Net Assets - Beginning of Year	<u>77,339,889</u>	<u>68,809,562</u>	<u>60,068,990</u>
Net Assets - End of Year	<u>\$ 83,204,114</u>	<u>\$ 77,339,889</u>	<u>\$ 68,809,562</u>

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

**SOUTHERN UNION REVOLVING FUND, INC.**

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**Statements of Cash Flows**

	<b>Years Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Cash Flows from Operating Activities			
Change in net assets	\$ 5,864,225	\$ 8,530,327	\$ 8,740,572
Adjustments to reconcile changes in net assets to net cash provided by operating activities:			
Premium (discount) amortization	270,585	163,124	131,786
Realized (gain) loss on sale of investments	231,318	(130,266)	(238,306)
Unrealized (gain) loss in market value	(1,812,936)	(5,034,267)	(5,265,152)
(Increase) decrease in accrued interest receivable	(96,442)	122,116	(28,264)
Increase (decrease) in accounts payable	2,045	(6,437)	10,371
Net cash provided by operating activities	<u>4,458,795</u>	<u>3,644,597</u>	<u>3,351,007</u>
Cash Flows from Investing Activities			
Proceeds from disposition of investments	26,061,292	31,776,796	31,567,676
Purchase of investments	(41,148,520)	(49,148,861)	(34,123,381)
New notes receivable issued	(8,034,767)	(12,390,760)	(21,704,646)
Payments received on notes receivable	<u>12,111,317</u>	<u>11,316,668</u>	<u>17,121,446</u>
Net cash provided by (used in) investing activities	<u>(11,010,678)</u>	<u>(18,446,157)</u>	<u>(7,138,905)</u>
Cash Flows from Financing Activities			
Net proceeds (redemptions) on notes payable	<u>(775,337)</u>	<u>14,043,874</u>	<u>7,915,672</u>
Net cash provided by (used in) financing activities	<u>(775,337)</u>	<u>14,043,874</u>	<u>7,915,672</u>
Increase (Decrease) in Cash and Cash Equivalents	(7,327,220)	(757,686)	4,127,774
Cash and Cash Equivalents - Beginning of Year	<u>21,253,081</u>	<u>22,010,767</u>	<u>17,882,993</u>
Cash and Cash Equivalents - End of Year	<u>\$13,925,861</u>	<u>\$21,253,081</u>	<u>\$22,010,767</u>
Supplemental Disclosures of Cash Flow Information			
Cash paid during the period for:			
Interest	<u>\$ 1,965,635</u>	<u>\$ 2,739,531</u>	<u>\$ 3,530,702</u>
Noncash Investing and Financing Transaction			
Investment acquisition/sale through mandatory exchange	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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**Note 1. General Organizational Information**

In 1980, the Southern Union Conference Association of Seventh-day Adventists, Inc., established the Revolving Fund for purposes outlined in Note 2, and operated this entity under its corporate name. In 1999, it was deemed appropriate that a separate entity be organized to operate the Revolving Fund, and on July 22, 1999, the Southern Union Revolving Fund, Inc. was created as a wholly-owned subsidiary of the Southern Union Conference Association of Seventh-day Adventists, Inc. and chartered as a not-for-profit corporation by the State of Tennessee.

**Note 2. Summary of Significant Accounting Policies**

Nature of Activities The Southern Union Revolving Fund, Inc., also referred to as the “Revolving Fund”, is used to make loans to Seventh-day Adventist churches, schools, and certain other denominational institutions, excluding health care institutions affiliated with Advent Health/Sunbelt Health Care Corporation, for the purpose of building construction, acquisition, or major renovation. Notes are to be issued primarily to members of the Seventh-day Adventist Church and denominational entities, and the plan will be promoted only within the Southern Union territory, consisting of the following states: Georgia, Florida, Alabama, Mississippi, Kentucky, Tennessee, North Carolina, and South Carolina.

Basis of Accounting The financial statements of the Revolving Fund have been prepared on the accrual basis of accounting. The financial statements and related notes do not include any other organizations or funds other than the Revolving Fund.

Basis of Presentation The Revolving Fund is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Revolving Fund has no net assets with donor restrictions.

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 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.

Functional Allocation of Expenses The costs of providing the Revolving Fund’s various programs and supporting services have been summarized on a functional basis as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Program	\$ 2,760,210	\$ 3,415,165	\$ 4,115,645
Management & General	<u>475,189</u>	<u>524,040</u>	<u>444,731</u>
Total Expenses, Before Reserve Fund Distributions	<u>\$ 3,235,399</u>	<u>\$ 3,939,205</u>	<u>\$ 4,560,376</u>

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**Note 2. Summary of Significant Accounting Policies (Continued)**

Cash and Cash Equivalents The Revolving Fund considers all checking accounts, money market accounts, and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Revolving Fund maintains its cash in bank deposit accounts which, at times, may exceed insured limits and in money market accounts holding government securities. Bank accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At December 31, 2021, December 31, 2020, and December 31, 2019, the Revolving Fund had approximately \$14,393,924, \$20,901,465, and \$21,619,145, respectively, in excess of FDIC insured limits in its bank accounts. The Revolving Fund has not experienced any losses in such accounts, held by banks or in money market accounts.

Securities and Investments Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their market values in the statement of financial position computed on an aggregate basis for all securities combined. The fair value of investments in the Comerica SDA Funds have been estimated using the net assets per unit of the Organization's ownership interest. Securities not publicly traded are stated at estimated market value. The Revolving Fund categorizes certificates of deposit with maturities in excess of three months as investments and these are valued at cost, which approximates market value. Unrealized gains and losses are included in the Statements of Activities.

The unamortized cost of securities takes into account the unamortized portion of purchase premiums or discounts as an addition to or reduction from their face or maturity value. Brokerage commissions and fees incurred in the acquisition of investments are included within the purchase price and become part of the basis of the investment.

Notes Receivable Notes Receivable from the Revolving Fund shall be made only to churches, local Conferences, and institutions located within the Union territory and owned and operated by the Union or by its constituent local Conferences. Accordingly, the Revolving Fund is dependent upon the economic health of this area. The interest rates earned on these notes receivable was 3.50% in 2021. The interest rates earned on these notes receivable in 2020 was 4.00% for January 1 through July 31 and 3.50% for August 1 through December 31. The interest rates earned on these notes receivable was 4.00% in 2019. Since the interest rates changed to 3.50% on August 1, 2020, the current portion of the notes receivable was recalculated in December, 2020 using the new rate of 3.50%. On September 23, 2021, the Board voted to reduce the interest rate on notes receivable to 3.00% as of January 1, 2022.

The loans shall be evidenced by promissory notes executed by the borrowing organization and bearing interest at a rate of up to 4 percent (4%) more than the interest currently being paid on revolving fund notes payable, with said rates to be established by the Southern Union Revolving Fund Board. Fifty percent (50%) of the interest spread shall be put in the reserve fund with credit to the conference in which the borrowing entity is located. Notes in excess of \$ 100,000 are secured by either a mortgage or other lien covering the property. In the case of churches and local Conference institutions, such notes shall be

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**Note 2. Summary of Significant Accounting Policies (Continued)**

guaranteed in writing by the local Conferences concerned, and shall be reflected on the books of the local Conference as a contingent liability.

Notes receivable are considered delinquent once they are 60 days past due. Starting January 1, 2020, the new 120 Days SURF Loan Delinquent Policy became effective. This policy stated that any loan that becomes 120 days delinquent will be brought current by transferring the debt to the co-signing Conference either by an ACH withdrawal on the first business day of the month, a check from the Conference, or a transfer from the Conference's Reserve Fund held at SURF. Prior to January 1, 2020, the past due portion of any church notes that were 120 days delinquent were recouped from the local Conference by either direct billings or a reduction from monthly subsidies.

An allowance account has not been established for these notes since they are either secured by a lien, guaranteed by the Conferences, or secured by Conference deposits. The Revolving Fund does not believe that it is exposed to any significant credit risk in connection with the extension of credit to its customers.

Loans are made with terms ranging up to twenty years, with payment schedules that will retire the obligation within that time. There is no provision for balloon payments. Monthly accruals are made of all interest due from notes receivable, and are added to the note balances, whether or not payment was actually received. Payments received are then credited in full to the resulting balances due. Notwithstanding the established payment schedule, each loan contains a provision that it may be called with a ninety day notice. For financial statement purposes, scheduled payments due within one year have been categorized as current assets. Beginning March 15, 2018 all new loans were required to use the ACH system.

Notes Payable The principal obligation of the Revolving Fund is evidenced by unsecured investment notes payable, which are 90-day demand notes (also known as renewable term notes in South Carolina) bearing interest at a rate not to exceed the denominationally authorized rate paid on revocable trust money. The interest rate paid for these notes in 2021 was 1.00%. The interest rate paid for these notes in 2020 was 2.00% for January 1 through April 30, 1.50% for May 1 through July 31, and 1.00% for August 1 through December 31. The interest rate paid for these notes in 2019 was 2.00%.

On July 27, 2021, the Board voted to lower the limit on monthly deposits from \$50,000 to \$25,000 per month per depositor effective immediately.

Board Designations on Net Assets Without Donor Restrictions The Revolving Fund maintains its board designated allocation calculation for the reserve fund and board designation for market fluctuations. The Reserve Fund, supported by all local conferences in a union territory, was established for the purpose of providing additional security for its loan fund in covering any bad debts or operating losses.



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**Note 2. Summary of Significant Accounting Policies (Continued)**

Borrowing entities may be charged interest at a rate of up to four percent more than the interest currently being paid on Revolving Fund notes. Fifty percent (50%) of the interest spread of loans versus deposits shall be put in the Reserve Fund with credit to the conference in which the borrowing entity is located. The Reserve Fund shall be provided until it reaches a minimum of 25% of the Union Revolving Loan Fund deposits. The balance of the change in net assets after the Reserve Fund and Market Fluctuation allocations are considered unallocated net assets.

Income Taxes The Revolving Fund is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). In the opinion of management, the Revolving Fund is not subject to provisions of the Investment Company Act of 1940 and the rules and regulations thereunder, state registration for securities, nor to the reporting provisions of the Internal Revenue Code because of its church affiliation.

In accordance with disclosure requirements under ASC 740-10-50-15, the Revolving Fund believes it is no longer subject to income tax examinations for years prior to 2018. Management has evaluated the implications of FASB ASC 740 and the Revolving Fund believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions (based on a “more-likely-than-not” standard for substantiation) that are material to the financial statements.

Date of Management’s Review Management has evaluated subsequent events through March 30, 2022, which represents the date on which the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

**Note 3. Delinquent Notes Receivable**

As of December 31, 2021, 2020, and 2019, monthly payments totaling approximately \$ 69,860, \$ 58,797, and \$ 80,542, respectively, were in arrears for greater than 60 days. The outstanding balances of these notes receivable at December 31, 2021, 2020, and 2019, were approximately \$ 2,512,465, \$ 3,042,133, and \$ 4,005,696, respectively.

These notes, as with all notes receivable, are due from local churches or institutions, and have been guaranteed by the respective Conferences, which also hold legal title, through their Conference associations, to the property securing the notes. Therefore, the Revolving Fund does not believe it should suffer any losses on these notes. On March 15, 2018, the Board voted to approve a policy that all new loans must be set up on ACH.

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**Note 4. Related and Affiliated Organizations**

Southern Union Conference Association of Seventh-day Adventists, Inc.

Southern Union Conference Association of Seventh-day Adventists, Inc. is the sole member of the Revolving Fund. At December 31, 2021, 2020, and 2019, notes payable to the Southern Union Conference Association, Inc. were \$ 964,184, \$ 500,296, and \$ 527,929, respectively. At December 31, 2021, 2020, and 2019, notes receivable from the Southern Union Conference Association, Inc. was \$0 for all three years.

The Revolving Fund occupies space owned by the Southern Union Conference Association of Seventh-day Adventists. No rent is charged for this occupied space.

Southern Union Conference of Seventh-day Adventists

The Southern Union Conference Association of Seventh-day Adventists, Inc. is the legal corporate entity of the Southern Union Conference of Seventh-day Adventists, a religious, nonprofit organization responsible for administering the work of the Seventh-day Adventist Church in the eight southeastern states. The president of the Southern Union Conference is the Chairman of the Southern Union Revolving Fund, Inc. At December 31, 2021, 2020, and 2019, notes payable to the Southern Union Conference were \$ 1,737,253, \$ 3,560,820, and \$ 283,349, respectively.

The management of the Revolving Fund is carried out by persons who are also officers of the parent organization. Other employees of the parent organization assist with administrative and clerical functions. The salaries and expenses of all persons involved are paid by the Southern Union Conference, and the Revolving Fund itself pays no salaries. However, annual management fees of \$ 355,000, \$ 411,283, and \$ 360,732, were paid in 2021, 2020, and 2019, respectively, to the Southern Union Conference of Seventh-day Adventists in lieu of salaries and expense reimbursements.

Officers and Directors

The Revolving Fund is controlled by a board of directors elected by constituent delegates at each session of the Southern Union Conference of Seventh-day Adventists. Certain elected officers of the Southern Union Conference Association of Seventh-day Adventists, Inc. are normally installed as board members. For the years ended December 31, 2021, 2020, and 2019, notes payable to officers and directors were \$ 783,082, \$ 705,383, and \$ 638,558, respectively.

The officers who are also directors as of December 31, 2021 are:

Ron C. Smith	President and Board Chairman
David Freedman	Vice President
Dave M. Colburn	Associate Vice President
James R. Davidson	Secretary
O. Les Speer	Associate Secretary
Carlos Salazar	Treasurer

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**Note 4. Related and Affiliated Organizations (Continued)**

The other directors, who are not employees of the parent organization as of December 31, 2021 are:

Villard Bastien  
Joyce Hairston  
Elana Jones  
Ben Kochenower  
Jack Leach  
James McGriff  
Tui Pitman  
Charles Stone

**Note 5. Securities and Investments**

	2021		2020		2019	
	Unamortized Cost	Fair Value	Unamortized Cost	Fair Value	Unamortized Cost	Fair Value
<u>Level 1</u>						
Certificates of deposit	\$ 124,000	\$ 124,000	\$ 124,000	\$ 124,000	\$ 124,000	\$ 124,000
Government bonds	42,700,059	42,512,650	33,143,639	33,744,277	22,459,996	22,835,299
Corporate bonds	56,977,891	57,411,281	53,178,301	55,642,070	49,739,520	50,715,692
	<u>\$ 99,801,950</u>	<u>\$ 100,047,931</u>	<u>\$ 86,445,940</u>	<u>\$ 89,510,347</u>	<u>\$ 72,323,516</u>	<u>\$ 73,674,991</u>
<u>Comerica SDA Funds</u>						
SDA International Equity	\$ 5,201,990	\$ 6,402,814	\$ 5,061,909	\$ 5,776,235	\$ 5,194,666	\$ 5,617,745
SDA Short Term Bond Index	11,766,663	11,967,822	11,633,600	12,025,525	11,413,123	11,646,668
SDA Large Cap Equity Index	11,378,349	18,342,560	10,789,519	14,216,513	8,225,480	9,393,054
SDA Mid & Small Cap Equity Index	5,268,764	6,123,179	4,522,770	4,957,425	3,830,250	3,780,112
	<u>\$ 33,615,766</u>	<u>\$ 42,836,375</u>	<u>\$ 32,007,798</u>	<u>\$ 36,975,698</u>	<u>\$ 28,663,519</u>	<u>\$ 30,437,579</u>
	<u>\$ 133,417,716</u>	<u>\$ 142,884,306</u>	<u>\$ 118,453,738</u>	<u>\$ 126,486,045</u>	<u>\$ 100,987,035</u>	<u>\$ 104,112,570</u>

**Note 6. Fair Value of Financial Instruments**

Accounting Standards Codification (ASC) 825-10-50 requires disclosures about the fair value for all financial instruments, whether or not recognized, for financial statement purposes. Disclosures about fair value of financial instruments are based on pertinent information available to management as of December 31, 2021, 2020, and 2019. Accordingly, the estimates presented in these statements are not necessarily indicative of the amounts that could be realized on disposition of the financial instruments.

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**Note 6. Fair Value of Financial Instruments (Continued)**

The carrying amounts of cash and cash equivalents, accrued interest receivable, and accounts payable approximate fair value because of short term maturity of those instruments. Fair value for investments in debt securities and marketable securities are based on quoted market prices. The fair value of investments in the Comerica SDA Funds have been estimated using the net assets per unit of the Organization's ownership interest, and are not insured, guaranteed or collateralized. Investments in certificates of deposit are valued at cost which approximates market value. Investments entail risks including market risk, currency risk, liquidity risk, credit risk, and interest rate risk.

It is not practical or cost effective to estimate the fair value of the notes receivable. The notes receivable are stated at their recorded amounts as determined on the historical cost basis. Based on management's analysis, the stated variable interest rates for these financial instruments approximate the market rates for similar terms and maturities. The interest rate earned on these notes receivable was 3.50% in 2021. The interest rates earned on these notes receivable in 2020 was 4.00% for January 1 through July 31 and 3.50% for August 1 through December 31. The interest rate earned on these notes receivable was 4.00% in 2019. Loans are made with terms ranging up to twenty years, with payment schedules that will retire the obligation within that time.

It is not practical or cost effective to estimate the fair value of notes payable. The notes payable are stated at their recorded amounts as determined on the historical cost basis. Notes payable are unsecured 90-day demand notes (also known as renewable term notes in South Carolina) bearing interest at a rate not to exceed the denominationally authorized rate paid on revocable trust money. The interest rate paid for these notes payable in 2021 was 1.00%. The interest rate paid for these notes payable in 2020 was 2.00% for January 1 through April 30, 1.50% for May 1 through July 31, and 1.00% for August 1 through December 31. The interest rate paid for these notes payable in 2019 was 2.00%.

Adoption of the provisions of ASC 820-10-50 does not have an impact on the measurement of the Revolving Fund's financial assets and liabilities, but does result in additional disclosures contained in Notes 5 and 7 herein.

**Note 7. Fair Value Measurements**

As required by ASC 820-10-50, the Revolving Fund has categorized its financial assets and liabilities into a three-level fair value hierarchy, based on the nature of the inputs used in determining fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). Following is a description of each category in the fair value hierarchy and the financial assets and liabilities of the Revolving Fund that are included in each category at December 31, 2021, 2020, and 2019.

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**Note 7. Fair Value Measurements (Continued)**

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market. For the Revolving Fund, level 1 financial assets and liabilities consist primarily of investments in certificates of deposits, government bonds, and corporate bonds.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. The Revolving Fund does not have any level 2 financial assets or liabilities.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability. The Revolving Fund does not have any level 3 financial assets or liabilities.

In accordance with Accounting Standards Update No. 2015-07, *Fair Value Measurement (Topic 820)*, the Comerica SDA Funds have been excluded from the fair value hierarchy for all periods presented. See Note 5 for the unamortized cost and fair value of securities and investments by investment type.

December 31, 2021				
	Total	Level 1	Level 2	Level 3
Securities and investments	<u>\$ 100,047,931</u>	<u>\$ 100,047,931</u>	<u>\$ —</u>	<u>\$ —</u>
December 31, 2020				
	Total	Level 1	Level 2	Level 3
Securities and investments	<u>\$ 89,510,347</u>	<u>\$ 89,510,347</u>	<u>\$ —</u>	<u>\$ —</u>
December 31, 2019				
	Total	Level 1	Level 2	Level 3
Securities and investments	<u>\$ 73,674,991</u>	<u>\$ 73,674,991</u>	<u>\$ —</u>	<u>\$ —</u>

In accordance with disclosure requirements under ASC 820-50-6A, *Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, additional information has been provided for each of the Comerica SDA Funds as follows:

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**Note 7. Fair Value Measurements (Continued)**

Investments in the Comerica SDA Short Term Bond Index Fund consist primarily of bonds, equities and other suitable investment vehicles. The Comerica SDA Short Term Bond Index Fund is not restricted to the foregoing if conditions indicate the use of additional types of investments. The goal of this fund is to earn a relatively high level of current investment income while preserving capital. There were no unfunded commitments to the Comerica SDA Short Term Bond Index Fund at December 31, 2021, 2020 or 2019.

Investments in the Comerica SDA International Equity Index Fund consist primarily of preferred and common stock of companies based in countries classified as part of EAFE. This fund used both spot and currency exchange forward contracts as part of the process of settling trades. It is the Fund's intention to settle the exchanges when due, as negotiated, recognizing no realized gain or loss. There were no unfunded commitments to the Comerica SDA International Equity Index Fund at December 31, 2021, 2020 or 2019.

Investments in the Comerica SDA Large Cap Equity Fund consist primarily of common stock of US companies which are considered to have a large market capitalization. There were no unfunded commitments to the Comerica SDA Large Cap Equity Fund at December 31, 2021, 2020 or 2019.

Investments in the Comerica SDA Mid and Small Cap Equity Index Fund consist primarily of common stock of US companies which are considered to have a mid or small market capitalization. There were no unfunded commitments to the Comerica SDA Mid and Small Cap Equity Index Fund at December 31, 2021, 2020 or 2019.

**Note 8. Reserve Fund Distributions**

During 2012, the Reserve Fund achieved its minimum funding level. The Board has voted to contingently approve appropriations from the Reserve Fund to its sole member association, who will then distribute funds to participating conferences for the restricted purpose of church building funds, consistent with the purpose of the overall Revolving Fund. Distributions from the Reserve Fund totaled \$ 532,857, \$ 311,600, and \$ 268,964, for the years ended December 31, 2021, 2020, and 2019, respectively.

**Note 9. Availability and Liquidity**

The following represents the Revolving Fund's financial assets at December 31, 2021, 2020, and 2019:

**SOUTHERN UNION REVOLVING FUND, INC.**  
A wholly-owned subsidiary of Southern Union Conference  
Association of Seventh-day Adventists, Inc.  
**Notes to the Financial Statements**  
**December 31, 2021, 2020, and 2019**

**Note 9. Availability and Liquidity (Continued)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Financial assets at year end:			
Cash and cash equivalents	\$ 13,925,861	\$ 21,253,081	\$ 22,010,767
Securities and investments	142,884,306	126,486,045	104,112,570
Accrued interest receivable	606,025	509,583	631,699
Notes receivable - short-term portion	<u>8,132,450</u>	<u>6,300,856</u>	<u>6,961,861</u>
Total financial assets	<u>165,548,642</u>	<u>154,549,565</u>	<u>133,716,897</u>
Less amounts not available to be used within one year:			
Quasi endowments established by the board:			
Allocated market fluctuation	9,466,590	8,032,307	3,125,535
Allocated reserve fund	<u>41,174,398</u>	<u>38,551,203</u>	<u>36,613,528</u>
	<u>50,640,988</u>	<u>46,583,510</u>	<u>39,739,063</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 114,907,654</u>	<u>\$ 107,966,055</u>	<u>\$ 93,977,834</u>

The Revolving Fund's goal is generally to maintain financial assets to assist in the financing of approved capital improvement projects, including major church improvements in conferences, churches, and institutions. To provide liquidity, a minimum of 10 percent of the combined assets of the Union Revolving Loan Fund and sinking fund shall be invested in short-term investments.

Due to the Covid-19 pandemic, SURF made some concessions for churches facing hardship by allowing those churches to complete a Temporary Loan Modification Application with the following three temporary loan modification options: partial payment, interest only, or pay less than the monthly interest charge and instead allow interest to accrue on the loan. The Temporary Loan Modification Program ended on December 31, 2021.

**Note 10. Subsequent Events**

On December 15, 2021, the Board voted to distribute 50 percent of the 2021 allocation to the conferences with the amount to be determined after the 2021 audit. Currently, this has been calculated to be a distribution in the amount of \$ 586,392 from the Reserve Fund to its sole member Association, who will then distribute funds to participating conferences. This distribution will be expensed in 2022.

**SOUTHERN UNION REVOLVING FUND, INC.**  
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**Association of Seventh-day Adventists, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2021, 2020, and 2019**

**Note 10. Subsequent Events (Continued)**

On January 1, 2022, there was an inadvertent lapse of the Revolving Fund's issuer-dealer registration with the state of Florida Securities Division. The Revolving Fund's legal counsel is in the preliminary stage of their investigation into the matter and therefore are unable to estimate the amount or range of legal expense in this matter that could result if the outcome should be unfavorable.

The economy is still in recovery mode in the first quarter of 2022 from the Covid-19 pandemic that was declared on March 11, 2020. SURF had been allowing concessions for churches facing hardship, subject to Board approval, through the completion of a Temporary Loan Modification Application. This Loan Modification Program ended on December 31, 2021. Effective January 1, 2022, all loan amortizations reset and new amounts were provided to the borrowers via notices in the November statements. The ACH collection template was also updated with the new amounts starting January 1, 2022.



## **SUPPLEMENTARY INFORMATION**

**SOUTHERN UNION REVOLVING FUND, INC.**

A wholly-owned subsidiary of Southern Union Conference

Association of Seventh-day Adventists, Inc.

**Supporting Schedules and Analysis****December 31, 2021, 2020, and 2019**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Schedule 1 - Cash and Cash Equivalents</b>			
Checking Accounts	\$ 11,614,968	\$ 8,150,082	\$ 9,241,367
Money Market	<u>2,310,893</u>	<u>13,102,999</u>	<u>12,769,400</u>
Cash and Cash Equivalents	<u>\$ 13,925,861</u>	<u>\$ 21,253,081</u>	<u>\$ 22,010,767</u>
 <b>Schedule 2 - Securities and Investments</b>			
CD - Time Deposits	\$ 124,000	\$ 124,000	\$ 124,000
SDA International Equity	5,201,990	5,061,909	5,194,666
SDA Short Term Bond Index	11,766,663	11,633,600	11,413,123
SDA Large Cap Equity Index	11,378,349	10,789,519	8,225,480
SDA Mid & Small Cap Equity Index	5,268,764	4,522,770	3,830,250
Government Bonds	42,378,356	33,054,831	22,342,173
Government Bonds Premium (Discount)	321,703	88,808	117,823
Corporate Bonds	55,883,516	52,218,903	49,267,313
Corporate Bonds Premium (Discount)	1,094,375	959,398	472,207
Market Value Fluctuation	<u>9,466,590</u>	<u>8,032,307</u>	<u>3,125,535</u>
Securities and Investments	<u>\$142,884,306</u>	<u>\$126,486,045</u>	<u>\$104,112,570</u>

See auditor's report.

**SOUTHERN UNION REVOLVING FUND, INC.**

A wholly-owned subsidiary of Southern Union Conference

Association of Seventh-day Adventists, Inc.

Supporting Schedules and Analysis

December 31, 2021

**Schedule 2 - Securities and Investments (continued)**

<b>December 31, 2021 Current Year Detail</b>	<b>Maturity Or Face Amount</b>	<b>Premium (Discount) Unamortized</b>	<b>Unamortized Cost Net Book Value</b>	<b>Fair Value Dec. 31, 2021</b>
Independent Bank CD's				
Certificates of Deposit	\$ 124,000	\$ -	\$ 124,000	\$ 124,000
SDA International Equity	5,201,990	-	5,201,990	6,402,814
SDA Short Term Bond Index	11,766,663	-	11,766,663	11,967,822
SDA Large Cap Equity Index	11,378,349	-	11,378,349	18,342,560
SDA Mid & Small Cap Equity Index	5,268,764	-	5,268,764	6,123,179
US Bank - Reserve Fund - Madison				
Corporate Bonds	4,663,000	85,318	4,748,318	4,843,189
Government Bonds	4,353,000	51,542	4,404,542	4,374,490
Total	9,016,000	136,860	9,152,860	9,217,679
US Bank - Madison				
Corporate Bonds	12,593,000	144,501	12,737,501	12,948,396
Government Bonds	15,367,000	286,512	15,653,512	15,570,068
Total	27,960,000	431,013	28,391,013	28,518,464
US Bank - Reserve Fund IRM				
Corporate Bonds	5,764,861	149,512	5,914,373	5,994,353
Government Bonds	4,810,685	12,154	4,822,839	4,816,125
Total	10,575,546	161,666	10,737,212	10,810,478
US Bank - Income Research & Mgt.				
Corporate Bonds	32,862,655	715,044	33,577,699	33,625,343
Government Bonds	2,741,772	(28,505)	2,713,267	2,713,441
Total	35,604,427	686,539	36,290,966	36,338,784
US Bank - Operating				
Government Bonds	15,105,899	-	15,105,899	15,038,526
Total	15,105,899	-	15,105,899	15,038,526
Total Investments	\$ 132,001,638	\$ 1,416,078	\$ 133,417,716	\$ 142,884,306
<u>Aggregate Fair Value of Securities and Investments at 12-31-21 in Excess (Deficit) of Unamortized Cost</u>				<u>\$ 9,466,590</u>

See auditor's report.

**SOUTHERN UNION REVOLVING FUND, INC.**

A wholly-owned subsidiary of Southern Union Conference

Association of Seventh-day Adventists, Inc.

**Supporting Schedules and Analysis****December 31, 2021, 2020, and 2019**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Schedule 3 - Notes Receivable</b>			
<u>Short-Term Current</u>			
Carolina Conference	\$ 620,543	\$ 493,852	\$ 698,140
Florida Conference	3,463,950	2,645,979	3,033,463
Georgia-Cumberland Conference	-	-	55,870
Gulf States Conference	137,399	119,549	124,456
Kentucky-Tennessee Conference	207,482	194,120	195,341
South Atlantic Conference	1,734,265	1,412,272	1,477,343
South Central Conference	615,228	542,176	415,691
Southeastern Conference	1,353,583	892,908	961,557
Southern Union Conference	-	-	-
Total	<u>\$ 8,132,450</u>	<u>\$ 6,300,856</u>	<u>\$ 6,961,861</u>
<u>Long-Term - Over One Year</u>			
Carolina Conference	\$ 10,171,007	\$ 11,207,184	\$ 12,204,224
Florida Conference	44,262,591	48,267,902	49,822,687
Georgia-Cumberland Conference	-	-	257,118
Gulf States Conference	2,831,851	2,837,361	2,505,273
Kentucky-Tennessee Conference	3,395,376	3,786,745	3,961,979
South Atlantic Conference	20,714,208	22,821,409	21,483,424
South Central Conference	9,718,002	9,958,513	9,372,696
Southeastern Conference	21,887,830	20,009,895	17,546,512
Southern Union Conference	-	-	-
Total	<u>\$112,980,865</u>	<u>\$118,889,009</u>	<u>\$117,153,913</u>
Total Notes Receivable	<u><u>\$121,113,315</u></u>	<u><u>\$125,189,865</u></u>	<u><u>\$124,115,774</u></u>

See auditor's report.

**SOUTHERN UNION REVOLVING FUND, INC.**

A wholly-owned subsidiary of Southern Union Conference

Association of Seventh-day Adventists, Inc.

**Supporting Schedules and Analysis****December 31, 2021, 2020, and 2019**

	2021	2020	2019
<b>Schedule 4 - Notes Payable</b>			
<u>Conference Associations</u>			
Carolina	\$ 1,411,877	\$ 1,560,558	\$ 1,714,264
Florida	3,708,504	3,840,228	4,004,597
Georgia-Cumberland	195,135	193,195	219,223
Gulf States	1,476,739	1,469,282	1,440,594
Kentucky-Tennessee	389,723	312,071	120,315
Oakwood College	157,015	155,454	153,207
Southeastern	97,101	96,135	-
Southern Union	3,967	17,726	17,470
Total	\$ 7,440,061	\$ 7,644,649	\$ 7,669,670
<u>Tax Exempt</u>			
Carolina	\$ 13,143,185	\$ 12,926,717	\$ 11,593,408
Florida	31,724,981	35,598,606	34,526,236
Georgia-Cumberland	26,991,286	25,331,415	20,659,911
Gulf States	4,559,427	4,468,056	4,273,790
Kentucky-Tennessee	8,412,042	8,412,424	8,781,448
South Atlantic	9,312,762	8,844,750	7,882,016
South Central	5,756,620	5,112,390	4,955,600
Southeastern	14,982,212	14,170,505	13,059,926
Southern Adventist University	103,585	102,555	101,073
Southern Union	10,095,020	10,016,638	6,686,770
Total	\$125,081,120	\$124,984,056	\$112,520,178
<u>Individuals</u>			
Carolina	\$ 7,510,155	\$ 8,411,454	\$ 7,806,905
Florida	20,047,989	20,986,016	21,740,101
Georgia-Cumberland	8,064,734	8,562,632	7,998,225
Gulf States	117,590	65,413	54,754
Kentucky-Tennessee	2,834,150	2,899,392	3,136,687
South Atlantic	4,517,399	3,723,426	3,069,172
South Central	3,841,034	3,633,871	3,148,364
Southeastern	4,339,158	3,997,642	3,533,696
Southern Adventist University	171,695	20,351	20,057
Southern Union	3,814,805	3,904,561	3,480,725
Total	\$ 55,258,709	\$ 56,204,758	\$ 53,988,686
<u>Revocable Living Trust</u>			
Carolina	\$ 1,470,543	\$ 1,290,366	\$ 1,512,177
Florida	1,232,955	1,219,068	1,278,419
Georgia-Cumberland	2,245,513	2,174,591	2,550,466
Gulf States	130,517	174,438	187,339
Kentucky-Tennessee	1,350,279	1,336,653	1,133,758
South Central	499,051	494,088	486,949
Southeastern	111,674	114,040	168,083
Southern Union	474,331	433,383	530,491
Total	\$ 7,514,863	\$ 7,236,627	\$ 7,847,682
Total Notes Payable	\$195,294,753	\$196,070,090	\$182,026,216

See auditor's report.

**SOUTHERN UNION REVOLVING FUND, INC.**

A wholly-owned subsidiary of Southern Union Conference

Association of Seventh-day Adventists, Inc.

**Supporting Schedules and Analysis****December 31, 2021, 2020, and 2019**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Schedule 5 - Net Assets</b>			
<u>Net Assets Without Donor Restrictions: Unallocated</u>			
Unallocated	\$ 32,563,126	\$ 30,756,379	\$ 29,070,499
Total Unallocated	\$ 32,563,126	\$ 30,756,379	\$ 29,070,499
<u>Net Assets Without Donor Restrictions: Allocated Market Fluctuation</u>			
Market Fluctuation	\$ 9,466,590	\$ 8,032,307	\$ 3,125,535
Total Allocated Market Fluctuation	\$ 9,466,590	\$ 8,032,307	\$ 3,125,535
<u>Net Assets Without Donor Restrictions: Allocated Reserve Fund</u>			
Carolina Conference Association	\$ 6,665,419	\$ 6,238,003	\$ 5,924,466
Florida Conference Association	14,335,259	13,416,019	12,741,698
Georgia Cumberland Conference Association	4,438,151	4,153,557	3,944,790
Gulf States Conference Association	2,089,563	1,955,572	1,857,279
Kentucky-Tennessee Conference Association	3,666,396	3,431,290	3,258,824
South Atlantic Conference Association	1,366,916	1,296,349	1,231,190
South Central Conference Association	985,459	922,267	875,911
Southeastern Conference Association	1,656,043	1,549,850	1,471,951
Southern Union Conference Association	5,971,192	5,588,296	5,307,419
Total Allocated Reserve Fund	\$ 41,174,398	\$ 38,551,203	\$ 36,613,528
Total Net Assets	\$ 83,204,114	\$ 77,339,889	\$ 68,809,562

See auditor's report.

**SOUTHERN UNION REVOLVING FUND, INC**



**Revolving Fund  
Financial Statement  
For Period Ending  
October/2022**

**Southern Union Revolving Fund  
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Period Ending October 31, 2022**

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**Southern Union Revolving Fund, Inc.**  
**Statements of Financial Position**  
**October 31, 2022**

**ASSETS**

<b>Current Assets</b>	<b>Note</b>	<b>10/31/2022</b>	<b>10/31/2021</b>	<b>Incr/(Decr)</b>
Cash and Cash Equivalents	Note 1	121,326,479	13,050,283	108,276,195
Securities and Investments	Note 2	35,224,249	140,936,497	(105,712,249)
Accrued Interest Receivable		31,995	654,278	(622,284)
Notes Receivable - ST	Note 3	7,284,351	7,217,000	67,350
Total Current Assets		<u>163,867,072</u>	<u>161,858,059</u>	<u>2,009,013</u>
<b>Other Assets</b>				
Notes Receivable - LT	Note 3	110,313,735	114,439,132	(4,125,398)
Total Other Assets		<u>110,313,735</u>	<u>114,439,132</u>	<u>(4,125,398)</u>
<b>Total Assets</b>		<u>274,180,807</u>	<u>276,297,191</u>	<u>(2,116,384)</u>

**LIABILITIES**

**Current Liabilities**

Accounts Payable		<u>30,659</u>	<u>11,647</u>	<u>19,013</u>
Total Current Liabilities		<u>30,659</u>	<u>11,647</u>	<u>19,013</u>

**Other Liabilities**

Notes Payable	Note 4	<u>195,066,476</u>	<u>194,878,560</u>	<u>187,915</u>
Total Other Liabilities		<u>195,066,476</u>	<u>194,878,560</u>	<u>187,915</u>
<b>Total Liabilities</b>		<u>195,097,135</u>	<u>194,890,207</u>	<u>206,928</u>

**NET ASSETS**

Unallocated Fund	Note 5	34,944,281	40,423,645	(5,479,365)
Allocated Market Fluctuation	Note 5	2,964,995	2,964,995	-
Reserve Funds	Note 5	<u>41,174,396</u>	<u>38,018,345</u>	<u>3,156,052</u>
Total Net Assets		<u>79,083,672</u>	<u>81,406,985</u>	<u>(2,323,313)</u>
Total Liabilities and Net Assets		<u>274,180,807</u>	<u>276,297,191</u>	<u>(2,116,385)</u>
		1	-	1

Southern Union Revolving Fund, Inc.  
Statements of Activities  
October 31, 2022

<b>Income:</b>	<b>10/31/2022</b>	<b>10/31/2021</b>	<b>Incr/(Decr)</b>
Interest Income from Notes Receivable	3,252,979	3,604,704	(351,725)
Investment Income	2,045,617	2,862,755	(817,139)
Dividend Income	-	-	-
Gain/(Loss) on Sale of Investments	(5,293,015)	161,792	(5,454,806)
Capital Gains on Securities	-	-	-
Premium Amortization	-	-	-
Other Income	547	540	7
Unrealized Gain/(Loss) on Investments	(907,403)	532,377	(1,439,780)
<b>Total Income</b>	<u>(901,276)</u>	<u>7,162,167</u>	<u>(8,063,443)</u>
<b>Expenses:</b>			
Interest Expense - Notes	2,117,498	1,639,012	478,486
Interest Expense - Investments	-	-	-
Legal	55,454	54,772	682
Auditing	52,510	60,677	(8,167)
General Expense	177,500	177,568	(68)
Other General Expenses	1,969	-	1,969
Management Fees	384,481	438,962	(54,482)
Investment Expense	-	-	-
Premium Amortization	(156,636)	191,223	(347,859)
<b>Total Expenses</b>	<u>2,632,775</u>	<u>2,562,215</u>	<u>70,560</u>
<b>Appropriations Received</b>			
Other Appropriation and Subsidies Rec	-	-	-
<b>Total Appropriations Received</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Changes Before RF Distribution</b>	(3,534,051)	4,599,953	(8,134,004)
Reserve Fund Distribution	(586,392)	(532,857)	(53,535)
<b>Changes in Unrestricted Net Assets</b>	(4,120,443)	4,067,096	(8,187,539)
<b>Net Assets - Beginning Balance</b>	<u>83,204,114</u>	<u>77,339,889</u>	<u>5,864,226</u>
<b>Net Assets - Ending Balance</b>	<u>79,083,672</u>	<u>81,406,985</u>	<u>(2,323,313)</u>
Reserve Fund, Jan 1	41,174,396	36,301,928	4,872,468
Unallocated Funds, Jan 1	39,064,724	38,072,966	991,758
Allocated - Market Fluctuation Funds, J	<u>2,964,995</u>	<u>2,964,995</u>	<u>-</u>
<b>Net Assets - Beginning Balance</b>	<u>83,204,114</u>	<u>77,339,889</u>	<u>5,864,226</u>

Southern Union Revolving Fund, Inc.  
Notes to the Financial Statements  
October 31, 2022

	10/31/2022	10/31/2021	Incr/(Decr)
<b>Note 1 Cash and Cash Equivalents</b>			
Checking Accounts	15,061,818.43	10,464,956.54	4,596,861.89
Money Market Accounts	106,264,660.13	2,585,326.74	103,679,333.39
Cash and Cash Equivalents	121,326,478.56	13,050,283.28	108,276,195.28
<b>Note 2 Securities and Investments</b>			
	Cost	Cost	
CD - Time Deposits	25,000.00	124,000.00	(99,000.00)
Mutual Fund - Vanguard	-	15,079,240.27	(15,079,240.27)
Government Bonds	4,819,568.48	26,511,651.30	(21,692,082.82)
Government Bonds Premium/Discount	(6,615.65)	354,740.22	(361,355.87)
Government-Backed Treasuries Prem/Disc	(404,899.09)		(404,899.09)
Corporate Bonds	4,258,346.90	56,036,095.08	(51,777,748.18)
Corporate Bonds Premium/Discount	67,696.49	1,189,403.70	(1,121,707.21)
SDA Short Term Bond Index Fund Class A	168,961.27	11,720,719.80	(11,551,758.53)
SDA Large Cap Equity Index Fund Class A	9,322,762.90	11,195,214.29	(1,872,451.39)
SDA Mid & Small Cap Equity Index Fund Class A	4,283,626.66	5,009,210.52	(725,583.86)
SDA International Equity Index Fund Class A	4,300,659.47	5,161,074.17	(860,414.70)
Unrealized App/Dec SERV	8,389,141.14	8,555,147.75	(166,006.61)
Securities and Investments at Market	35,224,248.57	140,936,497.10	(105,712,248.53)
<b>Note 3 Notes Receivable</b>			
<u>Short-Term current</u>			
Carolina Conference	573,008.09	494,451.65	78,556.44
Florida Conference	3,278,452.39	3,046,109.17	232,343.22
Gulf States Conference	139,711.04	129,920.61	9,790.43
Ky-Tenn Conference	153,817.35	207,165.41	(53,348.07)
South Atlantic Conference	1,312,866.80	1,533,861.44	(220,994.64)
So. Central Conference	544,614.97	582,107.77	(37,492.80)
Southeastern Conference	1,281,879.96	1,223,384.41	58,495.55
Total Current Receivable	7,284,350.60	7,217,000.46	67,350.14
<u>Long-Term - Over One Year</u>			
Carolina Conference	9,435,266.43	10,604,591.73	(1,169,325.30)
Florida Conference	43,006,363.17	44,971,292.11	(1,964,928.94)
Gulf States Conference	2,576,174.93	2,700,548.03	(124,373.10)
Ky-Tenn Conference	2,777,932.80	3,519,212.41	(741,279.60)
South Atlantic Conference	20,069,117.49	20,624,225.05	(555,107.56)
So. Central Conference	9,648,460.99	9,806,511.14	(158,050.15)
Southeastern Conference	22,800,418.96	22,212,751.92	587,667.04
Total Long-term Receivable	110,313,734.77	114,439,132.39	(4,125,397.62)
Total Notes Receivable	117,598,085.37	121,656,132.85	(4,058,047.48)

Southern Union Revolving Fund, Inc.  
Notes to the Financial Statements  
October 31, 2022

	<u>10/31/2022</u>	<u>10/31/2021</u>	<u>Incr/(Decr)</u>
<b>Note 4 - NOTES PAYABLE</b>			
<u>Conference Associations (Trusts)</u>			
Carolina Conference	1,146,767.24	1,414,353.63	(267,586.39)
Florida Conference	3,625,774.04	3,704,477.55	(78,703.51)
GA-Cumberland Conference	197,262.85	194,809.84	2,453.01
Gulf States Conference	1,496,079.37	1,474,273.91	21,805.46
Ky-Tenn Conference	350,297.28	339,195.57	11,101.71
Oakwood College	158,727.01	156,753.22	1,973.79
Southeastern Conference	-	96,938.90	(96,938.90)
Southern Union	4,010.16	3,960.28	49.88
Total	<u>6,978,917.95</u>	<u>7,384,762.90</u>	<u>(405,844.95)</u>
<u>Tax-Exempt (Entities)</u>			
Carolina Conference	13,255,414.76	13,561,108.29	(305,693.53)
Florida Conference	31,486,797.49	31,741,129.53	(254,332.04)
GA-Cumberland Conference	27,333,418.02	26,734,890.38	598,527.64
Gulf States Conference	4,510,249.39	4,541,141.44	(30,892.05)
Ky-Tenn Conference	8,607,308.67	8,460,662.56	146,646.11
South Atlantic Conference	10,023,866.79	9,285,596.21	738,270.58
So. Central Conference	6,014,101.58	5,632,215.75	381,885.83
Southeastern Conference	14,875,155.27	14,875,258.40	(103.13)
Southern Adventist University	104,714.34	103,412.19	1,302.15
Southern Union	10,631,567.95	9,891,721.10	739,846.85
Total	<u>126,842,594.26</u>	<u>124,827,135.85</u>	<u>2,015,458.41</u>
<u>Individuals (Regular)</u>			
Carolina Conference	7,348,133.62	7,424,160.45	(76,026.83)
Florida Conference	18,389,416.14	20,330,890.16	(1,941,474.02)
GA-Cumberland Conference	8,226,049.34	8,236,859.08	(10,809.74)
Gulf States Conference	109,230.36	116,394.48	(7,164.12)
Ky-Tenn Conference	3,154,219.10	2,780,101.53	374,117.57
South Atlantic Conference	4,778,569.75	4,394,023.29	384,546.46
So. Central Conference	3,970,155.09	3,740,142.19	230,012.90
Southeastern Conference	3,842,409.82	4,366,906.34	(524,496.52)
Southern Adventist University	21,934.22	171,408.51	(149,474.29)
Southern Union	3,857,563.59	3,758,341.93	99,221.66
Total	<u>53,697,681.03</u>	<u>55,319,227.96</u>	<u>(1,621,546.93)</u>
<u>Others: Revocable Living Trust</u>			
Carolina Conference	1,662,841.95	1,444,308.42	218,533.53
Florida Conference	914,443.06	1,230,896.49	(316,453.43)
GA-Cumberland Conference	2,380,382.02	2,109,689.31	270,692.71
Gulf States Conference	176,540.82	130,299.58	46,241.24
Ky-Tenn Conference	1,314,424.02	1,348,024.96	(33,600.94)
So. Central Conference	504,491.44	498,217.97	6,273.47
Southeastern Conference	112,891.58	111,487.74	1,403.84
Southern Union	481,267.69	474,509.15	6,758.54
Total	<u>7,547,282.58</u>	<u>7,347,433.62</u>	<u>199,848.96</u>
Total Notes Payable	<u><u>195,066,475.82</u></u>	<u><u>194,878,560.33</u></u>	<u><u>187,915.49</u></u>

Southern Union Revolving Fund, Inc.  
Notes to the Financial Statements  
October 31, 2022

	<u>10/31/2022</u>	<u>10/31/2021</u>	<u>Incr/(Decr)</u>
<b>Note 5 - Net Assets</b>			
<b>Unrestricted: Unallocated Fund</b>			
Unallocated Fund	<u>34,944,280.82</u>	<u>40,423,645.44</u>	<u>(5,479,364.62)</u>
<b>Board Designated Fund</b>			
Allocated - Market Fluctuation Funds	<u>2,964,994.54</u>	<u>2,964,994.54</u>	<u>-</u>
<b>Sinking Fund</b>			
Carolina Conference	6,665,491.73	6,154,808.02	510,683.71
Florida Conference	14,335,415.66	13,237,093.22	1,098,322.44
GA-Cumberland Conference	4,438,199.10	4,098,161.90	340,037.20
Gulf States Conference	2,089,585.70	1,929,490.11	160,095.59
Ky-Tenn Conference	3,666,435.13	3,385,528.12	280,907.01
South Atlantic Conference	1,366,931.33	1,260,803.55	106,127.78
So. Central Conference	985,469.75	909,966.61	75,503.14
Southeastern Conference	1,656,061.45	1,529,180.29	126,881.16
Southern Union	<u>5,970,806.32</u>	<u>5,513,312.78</u>	<u>457,493.54</u>
	<u>41,174,396.17</u>	<u>38,018,344.60</u>	<u>3,156,051.57</u>
Total Net Assets	<u>79,083,671.53</u>	<u>81,406,984.58</u>	<u>(2,323,313.05)</u>