

# SOUTHWESTERN UNION REVOLVING FUND

(a fund of the Southwestern Union Conference Corporation of Seventh-day Adventists)

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## **\$25,000,000 90-Day Demand Promissory Notes Offering Circular**

**September 1, 2023**

This offering circular ("Offering Circular") describes Southwestern Union Revolving Fund's offering ("Offering") of \$25,000,000 in principal amount of 90-Day Demand Promissory Notes ("Notes"). The Southwestern Union Revolving Fund ("Issuer", "SWURF", the "Revolving Fund", "we", "us", "our") is a fund of the Southwestern Union Conference Corporation of Seventh-day Adventists, an Oklahoma nonprofit corporation incorporated in 1914 operated for religious purposes and exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, as amended, that is based in Burleson, Texas (the "Southwestern Union Corporation"). SWURF was established for the purposes of providing loans and lines of credit for building and other capital improvement activities and for satisfying temporary capital requirements to organizations affiliated with the Seventh-day Adventist religious denomination (the "Denomination"). The Notes accrue interest at a variable rate that is four percent (4.0%) per year as of the date of this Offering Circular. The interest rate for the Notes is set by SWURF's Executive Committee and is subject to change on 30 days notice to Noteholders. Each change in the interest rate (if and when made) will take effect as of the next first day of the month, after at least 30 days written notice, which notice may be provided in writing (including by Email or other electronic transmission) or which may be provided by posting the interest rate on the then-current website of the Southwestern Union Revolving Fund. The Notes are 90-day demand notes, priced at one hundred percent (100%) of their face amount. The Notes are referred to as "demand" Notes because SWURF will repay the principal amount of a Note, plus accrued interest, within ninety (90) days after the Noteholder requests repayment.

The Offering began on September 1, 2023 (the "Effective Date") in some jurisdictions, and later in other jurisdictions when securities law registrations or exemptions become effective. The Offering in each jurisdiction will continue until the registrations or exemptions expire in that jurisdiction, or until all the Notes are sold, whichever occurs first. This Offering does not require us to sell a minimum dollar amount of Notes. We may terminate the offering before all Notes are sold and historically have conducted Note offerings on an annual basis. All future offerings of Notes are subject to registration or an exemption from registration in each jurisdiction. As a faith-based organization, we currently offer the Notes only to "Qualified Offerees". Qualified Offerees are: (i) people residing in Arkansas, Louisiana, Oklahoma, New Mexico, and Texas (collectively, the "Territory") and who hold membership in churches within the Denomination; and (ii) entities affiliated with the Denomination located in the Territory.

The Offering will be conducted by SWURF without the use of an underwriter through a registered or licensed agent of the Issuer where required. No commissions or other remuneration will be paid or given directly or indirectly for soliciting any prospective Noteholder. The Revolving Fund is commonly known throughout the Territory to members of the Denomination and the Notes will not be promoted (and prospective Noteholders will not be solicited) through: (i) advertisements, articles, notices or other communications published in any newspaper, magazine, online, or similar medium, or publicly disseminated in the news media, television, radio, through the mails, online, or otherwise; or (ii) any seminar or meeting whose attendees had been invited by any general solicitation or general advertising.

***The Offering is subject to certain risks. You should carefully review the "Risk Factors" beginning on page 5, SWURF's Audited Financial Statements (including the Notes), and the other information in this Offering Circular before purchasing any Notes.***

	Offering Price to Investors	Underwriting Discounts or Commissions (1)	Proceeds to the Issuer (2)
Per Note	100%	0%	100%
Maximum Offering	\$25,000,000	\$0	\$25,000,000

(1) We are offering the Notes without the use of an underwriter through a registered or licensed agent of the Issuer where required.

(2) Excluding expenses of this Offering which are estimated to total approximately \$65,000 (including legal fees, audit fees, filing fees, printing and mailing costs).

**Arkansas • Louisiana • Oklahoma • New Mexico • Texas**

**THESE SECURITIES MAY EITHER BE REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES OR JURISDICTIONS IN WHICH THEY ARE OFFERED OR SOLD BY THE ISSUER. THIS OFFERING CIRCULAR HAS BEEN FILED WITH THE SECURITIES ADMINISTRATORS IN SUCH STATES OR JURISDICTIONS THAT REQUIRE IT FOR REGISTRATION OR EXEMPTION. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE TEXAS SECURITIES ACT.**

**THESE SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 3(a)(4) OF THE FEDERAL SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.**

**THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS DOCUMENT AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THESE SECURITIES, OR APPROVED, DISAPPROVED OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS, AND RISKS INVOLVED.**

**THE NOTES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC"), ANY STATE BANK INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE NOTES IS DEPENDENT UPON THE ISSUER'S FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW THE ISSUER'S FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE NOTES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, THE SEVENTH-DAY ADVENTIST DENOMINATION, OR BY ANY CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH THE SEVENTH-DAY ADVENTIST DENOMINATION.**

**NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED ON AS HAVING BEEN MADE BY THE ISSUER, THE SOUTHWESTERN UNION REVOLVING FUND.**

**INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNTS OF NOTES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.**

## **FORWARD-LOOKING STATEMENTS**

This Offering Circular may contain, either directly or by incorporation by reference, certain "forward-looking statements" as to our future business and financial performance and financial condition - that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," "estimate," "forecast," "target," "preliminary," or "range." Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about our expected financial performance, including cash flows, revenues, macroeconomic and market conditions and planned and potential strategies. These forward-looking statements are not guarantees of future performance and are subject to risks, contingencies, and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements.

## SUMMARY

*This is only a summary of this Offering. You should not rely on this summary alone. You should read all the detailed information throughout this Offering Circular.*

**Southwestern Union Revolving Fund.** The Southwestern Union Revolving Fund is a fund of the Southwestern Union Conference Corporation of Seventh-day Adventists, an Oklahoma nonprofit corporation incorporated in 1914 operated for religious purposes and exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, as amended, that is based in Burleson, Texas (the "Southwestern Union Corporation"). The Fund's total assets were \$105,369,321 at December 31, 2022 and \$106,976,079 at December 31, 2021. We created the "Revolving Fund" of the Southwestern Union Corporation in 1978. We support the gospel mission of the Southwestern Union Conference, an unincorporated association (the "Southwestern Union Association" or "Southwestern Union") and Denominational affiliate, by providing a source of financing for eligible Denominational organizations and entities within the Territory served by the Southwestern Union Association. We raise money for our Revolving Fund by selling Notes to Qualified Offerees. We pay interest on the Notes we sell.

**Use of Proceeds from this Offering.** We use the money obtained through this Offering to lend money to organizations (such as churches, schools and other Denominational institutions) ("Borrowers") affiliated with the Denomination within the Territory for building, construction, and other capital improvement activities, acquisition of property, related capital expenditures, and for operating or temporary capital (the "Loans") and for our operations (including general and administrative expenses, which may include expenses of this offering). As Borrowers repay the Loans, we add those monies to our Revolving Fund. The interest rates that we pay on the Notes (four percent (4.0%) as of the Effective Date) vary and are less than the rate of interest we receive for the Loans. The interest rate we currently charge on Loans is six percent (6.0%). The funds we do not lend to Borrowers are invested or used in our operations that include payments to Noteholders.

**Summary of Notes and Loans.** We owed \$70,814,224 to persons and Denominational entities that hold our Notes ("Noteholders") as of December 31, 2022. We owed to our Noteholders \$72,529,336 as of December 31, 2021. Thus, our Notes payable decreased by \$1,715,112 in 2022. As of December 31, 2022, we had \$60,141,845 in Loans receivable outstanding (including principal and interest). We had \$65,264,204 in Loans receivable outstanding as of December 31, 2021 (including principal and interest). Thus, the amount of Loans owed to SWURF decreased by \$5,122,359 in 2022.

**The Notes and the Offering.** This paragraph is not a detailed description of the Notes. We describe in detail the terms of the Notes and the Offering beginning on page 5. Our Notes are 90-Day Demand Promissory notes, priced at one hundred percent (100%) of their face amount. We will repay the principal amount of a Note, plus accrued interest, within ninety (90) days after the Noteholder requests repayment. The Notes accrue interest at a variable annual rate that is four percent (4.0%) as of the Effective Date. To purchase Notes, you must be a Qualified Offeree and make a minimum initial purchase of five hundred dollars (\$500) of Notes and maintain at least that amount. If you do not, we may redeem and repay all the Notes you hold at any time and close your Note account. We reserve the right to limit the amount of Notes a purchaser may buy. As of the date of this Offering Circular we will not allow individuals to purchase more than \$12,000 of Notes per year (per account) and we will not allow organizations to purchase more than \$25,000 of Notes per year.

[Summary continued on the next page]

## Selected Financial Information.

This table summarizes our financial information for 2017 through 2021 for the Revolving Fund. You should read this financial summary along with the audited financial statements and related notes beginning on page F-1 in this Offering Circular.

	2022(\$)	2021(\$)	2020(\$)	2019(\$)	2018(\$)
Cash, Cash equivalents and readily marketable securities and percent of Notes payable	45,227,476 63.9%	41,711,875 57.5%	33,273,226 46.6%	28,789,383 41.0%	21,243,958 30.8%
Total Loans receivable	60,141,845	65,264,204	71,533,036	73,332,444	77,876,361
Amount and percent of unsecured Loans receivable	60,141,845 100%	65,264,204 100%	71,533,036 100%	73,332,444 100%	77,876,361 100%
Loan delinquencies as a percent of Loans receivable*	0%	0%	0%	0%	0.4%
Total Assets	105,369,321	106,976,079	104,806,262	102,121,827	99,120,319
Total Notes payable	70,814,224	72,529,336	71,467,851	70,147,078	68,909,085
Amount of Notes redeemed during the fiscal year	7,748,443	3,973,626	3,634,661	3,448,556	4,234,414
Other long-term debt	-0-	-0-	-0-	-0-	-0-
Net Assets and percent of total assets	34,555,097 32.8%	34,446,743 32.2%	33,302,586 31.8%	31,974,749 31.3%	30,177,721 30.4%
Change in Net Assets	108,354	1,144,157	1,327,837	1,797,028	1,568,375

\*See **RISK FACTORS** "Because of the COVID-19 Coronavirus pandemic, we required our Borrowers to only make interest payments from April to September 2020" and "Our policy to reduce Loan delinquencies reduces our Loan delinquency rate" on page 5.

***The remainder of this Offering Circular contains substantial additional information about the Issuer, our business and financial condition, and certain risks associated with the purchase of Notes in this Offering. You should review all of it carefully before you make any decision whether to invest in our Notes. We encourage potential investors to consider the concept of investment diversification when determining the amounts of Notes, if any, that would be appropriate for them in relation to their overall investment portfolio and personal financial needs.***

## RISK FACTORS

***You should consider carefully the following risk factors and the other information contained in this Offering Circular before making any decision whether to invest. These risks are not the only ones relevant to your investment. This Offering Circular and the documents incorporated by reference into this Offering Circular also contain forward-looking statements that involve risk and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to the risks described below and by the documents incorporated by reference into this Offering Circular.***

*You should also consider SWURF's Audited Financial Statements including the Notes (see Page F-1).*

### ***Our policy to reduce Loan delinquencies reduces our Loan delinquency rate.***

Our Loan delinquency policy requires the cosigners/guarantors of our Loans to make a Loan payment on behalf of the applicable Borrower to prevent the Borrower from falling 90 days past due on its Loan payment. That is, before that payment would be considered "delinquent" we demand payment from the cosigner/guarantor. The 0.0% delinquency rate as of December 31, 2022, December 31, 2021, and December 31, 2020, is a result of the enforcement of this policy; before a Loan is considered "delinquent" we demand payment from the cosigner/guarantor so that the payment is made timely by the cosigner/guarantor. Accordingly, the delinquency rate may not accurately reflect the financial status and repayment history of some of our Borrowers since payments are made on behalf of Borrowers by cosigners/guarantors before the Loan is considered delinquent.

We demanded and received payments of \$268,186 from cosigners/guarantors during 2022 on 16 loans. In 2021, we demanded and received payments of \$404,300 from cosigners/guarantors on 16 loans.

### ***Higher interest rates may adversely affect us and our ability to operate the Revolving Fund.***

As of the date of this Offering Circular, the Federal Reserve has raised the federal funds rate 4 times in 2023 and 7 times in 2022 to combat rising inflation, which in turn has caused interest rates throughout the U.S. to rise. As of the date of this Offering Circular, inflation rates continue to be volatile and continue to rise. Higher interest rates may cause our Noteholders to seek higher interest investments other than our Notes. This may adversely affect our ability to give Loans because we would need money to repay Noteholders. We would also need to raise interest rates on our Notes in order to make the Notes more competitive with higher interest investments. If we were to raise our Note interest rate, we may have to raise our Loan interest rates (the Loans are adjustable, and we rely on the "spread" between the Loan rate and the Note rate to operate the Revolving Fund). Our Borrower's ability to repay the Loans would be adversely affected by increased Loan interest rates.

### ***We do not actively monitor the financial condition of Borrowers or their cosigners/guarantors.***

All Borrowers and their cosigners/guarantors are affiliated with the Denomination. Unlike commercial lenders with arms-length commercial borrowers, we do not actively monitor the financial condition of Borrowers or their cosigners/guarantors. If many of our borrowers were to experience financial hardship or otherwise become unable to repay their Loans, this could adversely affect the operation of the Revolving Fund, since the Loans and interest from the Loans are used to repay Noteholders.

### ***Revolving Fund Notes are unsecured general obligations of SWURF and you must depend solely on the financial condition and operations of the Revolving Fund for repayment of your principal and interest.***

You must rely solely upon the assets of the Revolving Fund for repayment of the Notes. Revolving Fund Notes are not secured by a mortgage or other lien on any property. Notes are not backed by any assets of the Denomination or any other organization affiliated with the Denomination, including the Southwestern Union or other funds of the Southwestern Union Corporation. Repayment of our Notes is not guaranteed by the Denomination, or any affiliate of the Denomination. If the Revolving Fund were to become unable to repay the Notes, no funds from any other entity (including other funds of the Southwestern Union Corporation) would be required for repayment.

***No sinking fund or trust indenture has been or will be established to ensure or secure the repayment of Notes.***

We allocate a portion of our net assets as a Capital Reserve for the repayment of Notes and do not have a "sinking fund" or "trust indenture" as a reserve to repay our Notes. Our reserved net assets were \$9,352,128 and \$9,933,522 as of December 31, 2022 and 2021 respectively, compared with \$70,814,224 and \$72,529,336 respectively, in Notes. Our Capital Reserve is invested in cash, other accounts readily convertible to cash, money market accounts, certificates of deposits, investment grade bonds and other long-term investment securities. There is a risk that these assets may not be maintained at their present or historical levels and that the value of the investments may fall.

***No public market exists for the Notes and none will develop; the Notes may not be transferred.***

We are your only source for repayment of the Notes. Transfers of the Notes are prohibited. The Notes have never had a trading market and you should assume that a trading market will not develop for the Notes. You are not permitted to sell any of the Notes to third parties should you wish to do so.

***Our liquid assets invested in readily marketable securities are subject to various market risks which may result in losses if market values of investments decline.***

Our capacity to repay Notes and to operate on a financially sound basis depends in part on the market value and profitability of the assets we hold in investments other than Loans. As of December 31, 2022, assets constituting Cash and Invested Funds totaled \$45,227,476. This represented 42.9% of our total assets and some 63.9% of the total value of the Notes we owed to holders of Notes. As of the prior year, December 31, 2021, our Cash and Invested Funds totaled \$41,711,875, or 39.0% of our total assets and 57.5% of the total value of the Notes as of that date. The market value and profitability of our invested assets will fluctuate because they are subject to economic volatility, market forces and changes in interest rates. The ongoing COVID-19 Coronavirus pandemic may cause even greater economic volatility (such as local shutdowns, governmental regulations that affect employment, unemployment, or reduction in wages). Interest rates may change for many reasons, including actions taken by the Federal Reserve, inflation, changes in the exchange rate, performance of the stock market, and other economic forces. We cannot predict that the market value and profitability of our invested assets will meet or exceed previous performance.

***There are risks related to geographic concentration of Loans to affiliated churches or other related organizations within a limited region, such that changes in economic conditions of that region could affect the ability of the churches or organizations, as a group, to repay the Loans***

The Territory where SWURF provides Loans is a limited geographic region. Economic conditions within the Territory are likely to be closely correlated. Accordingly, there are risks related to geographic concentration of Loans to affiliated churches or other related organizations, such that changes in economic conditions of the Territory could affect the ability of the churches or organizations, as a group, to repay the loans.

***One of our cosigners/guarantors has exceeded their Denominational policy debt limits.***

We require our Loans to be cosigned/guaranteed by the applicable Denominational conference in which the Borrower is located. In addition, our Loan delinquency policy requires the cosigners/guarantors of our Loans to make a Loan payment on behalf of the applicable Borrower to prevent the Borrower from falling 90 days past due on its Loan payment. Denominational policy sets limits on the amounts a conference (the cosigner/guarantor) may incur in indebtedness. The cosigned/guarantee obligations are subject to this policy as to indebtedness. One of our cosigners has exceeded the Denominational indebtedness limit (Southwest Region 105%), although Denominational policy permits the limit to be raised to 150% in some cases. If Borrowers in this conference were to be delinquent or default on their Loans, the cosigner/guarantor may not be able to pay us for the delinquency or default. See **FINANCING AND OPERATIONAL ACTIVITIES - Loan Program** – *Loan Approval* on page 13.

***Our Loans are made primarily to churches and related religious organizations affiliated with the Denomination, including local churches, whose ability to repay the Loans depend primarily upon contributions that they receive from their members.***

Our ability to make and collect repayment of Loans at an interest rate that allows us to pay interest on the Notes is crucial to our operations. All entities to which we make Loans are affiliated with the Seventh-day Adventist denomination and depend on voluntary financial support for their continued viability. This results in a concentration of credit risk in a similarly-situated pool of Borrowers. Any significant decline in charitable contributions to entities affiliated with the Denomination could narrow our pool of qualified Borrowers. Also, the ability of Borrowers and cosigners/guarantors to repay existing Loans they owe to us might be affected by any decreases in membership or in their charitable contributions.

***The ability of Borrowers to repay their Loans depends upon voluntary income sources that are not assured.***

The ability of local church Borrowers to repay their Loans depends entirely upon voluntary charitable contributions and offerings of their members. Other Borrowers, such as schools and colleges rely on contributions, appropriations, and support from local churches, conferences, or the Southwestern Union Association, as well as on other income, including tuition. We do not investigate or monitor the levels of reserve, working capital, or equity for any Borrower or cosigner/guarantor. There is a risk that the Borrowers may not be able to repay the Loans because their income sources are not assured. Some Borrowers that are churches may experience significant decreases in membership (and voluntary charitable contributions and offerings) due to changes in personnel, such as the senior pastor. Other factors may cause sudden and significant decreases in membership (and voluntary charitable contributions and offerings) such as scandals. Although we have several sources for repayment of the Loans, there is a risk that we might not be able to secure sufficient repayments of these Loans to meet all demands for repayment of the Notes. Although repayment of substantially all Loans is cosigned by the local conference and local conference corporation/association of the Borrower, there is a risk that these cosigners/guarantors may be unable to satisfy the Loan obligations of a Borrower since these cosigners/guarantors rely on substantially the same income sources as Borrowers.

***We rely on others to investigate creditworthiness of Borrowers and the use of Loan proceeds.***

While our lending program provides guidelines for approval of Loans (see "Loan Program – Loan Approval" on page 13), we rely on the respective treasurers of Borrowers' cosigners, principally at the local conferences, to validate the Loan application each Borrower submits to us, as well as the accuracy of underlying data and documentation that support each Loan application. We do not obtain independent credit reports or investigate a Borrower's creditworthiness, qualifications, or ability to repay its Loan beyond the information supplied by the Borrower and the treasurer of the Borrower's cosigner. We do not require Borrowers to certify, nor do we investigate, that proceeds from Loans are used for the purposes indicated in a Borrower's Loan application. Borrowers and their cosigners may have other lenders that have security interests in their assets that would not be known to us since we do not investigate such matters. These security interests may hold legal priority of repayment that is superior to ours, thus potentially harming our capacity to collect Loan payments due to us.

***Risks of investment in the Notes may be greater than implied by relatively low interest rates on the Notes and the Notes are not insured by any governmental agency or private insurance company.***

No government agency guarantees, insures, or regulates repayment of our Notes. Neither the FDIC, SIPC nor any other governmental (federal or state) or private entity guarantees or insures our Notes. Generally, lower interest rates may imply a lower risk investment. The risk of investment in the Notes may be greater than implied by the relatively low interest rate we pay on the Notes. The interest that we share with our Borrowers in furthering the gospel message is not a guarantee of financial integrity in the administration of the Revolving Fund or of our Borrowers' operations. Our Notes are not bank savings deposits, bank accounts or similar investments that are guaranteed, insured, or otherwise regulated by a governmental agency.

***Our ability to repay our Notes is based primarily on our ability to obtain repayment of our Loans.***

Our ability to repay the Notes is based primarily on our ability to obtain timely repayment of our Loans from the Borrowers and the cosigners/guarantors of the Borrowers. We use payments of principal and interest from the Borrowers as well as our other assets to pay interest to Noteholders and to repay the principal of Notes when demanded. We could not satisfy our obligations to Noteholders if our Loans are not repaid.

***Our Loan policies and documentation for Loans to our affiliated churches and our related religious organizations are less stringent than loan policies and documentation of commercial lenders.***

Our relationship with Borrowers differs from an ordinary, “arm’s-length” relationship between a commercial lender and its borrowers. All of our Loans are to organizations affiliated with the Denomination. Our Loans are only documented by a note that does not contain customary terms in commercial loan documentation such as protection against late payment or default and enforcement and collection remedies. Our Borrowers do not sign loan agreements that contain additional typical commercial loan protections for the lender. We share an interest in furthering the religious gospel mission with those Borrowers and with the Denomination. Accordingly, on occasion we accommodate partial, late, or deferred payments for our Loans and may decline to fully or timely assert available collection remedies when a Borrower makes late payments.

***The collection practices we employ with Borrowers and cosigners/guarantors may differ from those of a commercial lender.***

Our Executive Committee Officers who control the corporate governance of the Southwestern Union Revolving Fund are officers of the Southwestern Union Association, a Denominational affiliate of the local Denominational conferences that cosign/guarantee many of our Loans; several are also Officers of the Southwestern Union Corporation. Several of our Executive Committee Officers also serve in various capacities (e.g., meeting invitees, members, directors, committee members, and officers) with one or more Borrowers and/or cosigners/guarantors of Loans. Our Executive Committee Officers are: Mr. Carlos Craig, Mr. Stephen Brooks, Mr. John Page, Mr. Bo Just, Mr. Tony Anobile, Ms. Carol Campbell, and Mr. Osvaldo Rigacci.

Because of these relationships and the common Denominational mission of the Issuer and its Borrowers, we may employ collection practices with Borrowers and their cosigners that are significantly less stringent than those of a commercial or other arms-length lender.

***Our Executive Committee Officers may change the interest rate and other terms of the Notes.***

The interest rate on the Notes is variable and we may change it upon at least 30 days written notice in our discretion. Each change in the interest rate (if and when made) will take effect as of the next first day of the month, after at least 30 days written notice, which notice may be provided in writing (including by Email or other electronic transmission) or which may be provided by posting the interest rate on the then-current website of the Southwestern Union Revolving Fund. We effected a change of the interest rates on the Notes in January of 2023 (increasing the interest rate from 2.5% to 4.0%). Interest rates historically paid on the Notes may not be indicative of rates to be paid in the future. We have not set a minimum interest rate on the Notes. If a Noteholder objects to any change, we will treat the objection as a demand for repayment.

***Potential and existing conflicts of interest are present.***

We engage in transactions with Borrowers and cosigners with whom we share other relationships and activities (e.g., common directors, committee members, and officers). Some Loan decisions and negotiations may involve individuals affiliated simultaneously with the Issuer and the Borrower and its cosigners. In the event of default or late payment of Loans with these Borrower entities, some of our officers could experience a conflict of interest, as our interests would be adverse to those of the Borrower. These relationships among our directors, committee members, and Executive Committee Officers and those of our Borrower entities would affect our willingness to pursue timely all of our legal rights and remedies against these Borrower entities in the event of default. It is highly unlikely that we would pursue legal action against a Denominational Borrower entity.

***In the event of unexpected extraordinary demand for repayment, we may not repay the Notes on time.***



We depend on our collection of Borrower payments on Loans and our other assets to repay the Notes on time. In the event of unexpected large volume demand for repayment of the Notes, there is a risk that we may not be able to satisfy all these demands within the 90-day period. Our Notes require that we repay you as soon as practicable when you request payment but not later than ninety (90) days after demand. The Notes do not mature at any specific time. Thus, demand for repayment by most or all of the holders of Notes at a particular time is possible. Large, concentrated volumes of unanticipated demand for funds to repay Noteholders could exhaust our Capital Reserve provisions and cause us to be unable to repay the Notes when due.

***There are no income tax benefits with respect to investment in the Notes and interest paid or payable on Notes is taxed as ordinary income regardless of whether interest is received by you or retained and reinvested in Notes of the Issuer.***

Interest paid on the Notes we issue whether paid to you or reinvested is ordinary income to you and is not exempt from federal, state, or local income taxes. Thus, even if you reinvest or "roll over" interest into the Revolving Fund, you may still have to pay taxes on the amount of interest received, without receiving the actual interest payment. Despite the charitable and religious nature of the Issuer, you receive no income tax benefits for your investment in Notes.

***Future changes in federal or state laws may adversely affect Our ability to continue to sell Our Notes.***

The issuance of the Notes is currently exempt from registration under the federal securities laws and from the registration provisions of a number of jurisdictions in our Territory. If the federal and state laws or the securities laws in any one or more of the jurisdictions in our Territory were to change, it could affect decisions whether to offer Notes in the future. The costs of obtaining registration(s) and operating subject to federal or state registration laws might prove prohibitive to maintain our Note program.

***We may redeem any or all of the Notes at any time after thirty (30) days' notice.***

The Notes or portions thereof may be redeemed at our option at any time. We will give you at least thirty (30) but not more than sixty (60) days' notice of a redemption. Interest will cease to accrue on the Notes or portions thereof that are called for redemption on the date we send payment to you.

***We may issue additional debt that has priority in repayment over the Notes.***

We may incur additional debt that may have priority in repayment over our Notes. See "Description of the Notes - *Additional Debt*" on page 19. Any debt or debt securities incurred or issued by us and secured by our assets having priority over the Notes will not exceed ten percent (10%) of our total assets.

## **HISTORY AND OPERATIONS**

### **The Issuer - Background**

The Southwestern Union Revolving Fund is a fund of the Southwestern Union Conference Corporation of Seventh-day Adventists, an Oklahoma nonprofit corporation incorporated in 1914 operated for religious purposes and exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, as amended, that is based in Burleson, Texas (the "Southwestern Union Corporation"). Our principal office is located at 777 S. Burleson Blvd., Burleson, TX 76028 in the headquarters of the Southwestern Union Association. The Fund was created in 1978 to support the gospel mission of the Southwestern Union Association by providing a source of financing for eligible entities within the Territory served by Southwestern Union Association. We raise money for our Revolving Fund by selling Notes to Qualified Offerees in the Territory. We pay interest on the Notes we sell. We use the money from the Offering to lend money to Borrowers affiliated with the Denomination within the Territory for building, construction, and other capital improvement activities, acquisition of property, related capital expenditures, and for operating and temporary capital. We also use the money obtain from the Offering in our corporate operations. The Notes are general obligations of SWURF and are not specifically secured by particular loans to specific borrowing entities. The only business activity of

the Revolving Fund is to operate this “revolving fund,” meaning our only business is to raise funds by selling Notes and loan those funds by making Loans. We also administer the Note and Loan programs.

## **Property**

The Revolving Fund does not own any property other than the assets shown in the Revolving Fund’s financial statements. See “Financial Information” beginning on page 24. We operate out of office space in a building owned by the Southwestern Union Corporation. For 2022, the Revolving Fund paid a management fee to the Southwestern Union Association of \$138,000 to offset compensation costs along with other costs including office rent, equipment, and postage. We also appropriate 1/12<sup>th</sup> (one twelfth or 8.3% (eight point three percent)) of the net interest income received by the Revolving Fund to the Southwestern Union Corporation Educational Endowment Fund. This amount was \$80,487 in 2022 and \$86,733 in 2021.

## **Structure and Status**

Although the Revolving Fund is affiliated with the Seventh-day Adventist denomination and shares an interest in furthering the religious gospel mission with the Denomination and its other affiliates, the numerous legal organizations that contribute to or participate in the work and mission of the Denomination are distinct from one another. Accordingly, you should look only to the Revolving Fund and should not expect repayment from any other entity affiliated with the Denomination (including the other assets of the Southwestern Union Corporation) or from the Denomination itself. The Denomination has more than 22.1 million members worldwide and is organized to announce and make known the Gospel of Jesus Christ and to advance the welfare of mankind. The Denomination, and most of the entities affiliated with it in the United States, are exempt from federal income taxation pursuant to Section 501(c)(3) of the Code and are organized and operated exclusively for religious, educational, charitable, and benevolent purposes.

## **The Southwestern Union Association**

The Southwestern Union Conference is an unincorporated association (the “Southwestern Union Association” or “Southwestern Union”) that is affiliated with the Denomination. It was organized in 1902. The Southwestern Union Association maintains its own records, assets, and operations. The Southwestern Union supervises and promotes denominational mission and activities in all or part of Arkansas, Louisiana, New Mexico, Oklahoma, and Texas. Approximately 119,000 members of the denomination reside within the Territory. The Denominational local churches in the Southwestern Union are grouped into five local conferences and are affiliated with the Southwestern Union. The local conferences provide coordination, supervision and leadership to and for local churches of the Denomination within the Territory. These local conferences are:

- Arkansas-Louisiana Conference of Seventh-day Adventists, serving churches and other entities affiliated with the Denomination in the states of Arkansas and Louisiana and the city of Texarkana, Texas.
- Oklahoma Conference of Seventh-day Adventists, serving churches and other entities affiliated with the Denomination in the state of Oklahoma.
- Southwest Region Conference of Seventh-day Adventists, serving churches and other entities affiliated with the Denomination in the states of Arkansas, Louisiana, Oklahoma, Texas and New Mexico.
- Texas Conference of Seventh-day Adventists, serving churches and other entities affiliated with the Denomination in the eastern two thirds of the state of Texas.
- Texico Conference of Seventh-day Adventists, serving churches and other entities affiliated with the Denomination in the western one third of the state of Texas and the state of New Mexico except San Juan County.

## **The Southwestern Union Conference Corporation of Seventh-day Adventists**

The Southwestern Union Conference Corporation of Seventh-day Adventists is an Oklahoma nonprofit corporation that was incorporated in 1914. It is operated for religious purposes and is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, as amended. It is based in Burleson, Texas and is a

corporation affiliated with the Southwestern Union Association. The Southwestern Union Corporation and the Southwestern Union Association are affiliated with the North American Division of the General Conference of Seventh-day Adventists denomination. The Southwestern Union Corporation holds title to real estate used in the work of the Southwestern Union Association, and manages those properties for the benefit of the Southwestern Union Association. The Southwestern Union Corporation also manages various endowments for the benefit of Seventh-day Adventist organizations in the Southwestern Union Association.

## **USE OF PROCEEDS**

Proceeds from the Notes are used to:

- (i) make Loans to Borrowers affiliated with the Denomination within the Territory for building, construction, and other capital improvement activities, acquisition of property, related capital expenditures, and for operating or temporary capital (see "Loan Program" on page 12);
- (ii) provide Cash and Invested Funds to preserve liquidity in part to repay the Notes (see "Cash and Invested Funds" on page 16); and
- (iii) fund our operations, including general and administrative expenses which may include expenses of this offering (see "Description of the Notes - *Administrative Expenses*" on page 20).

We do not escrow the proceeds from Note sales, nor do we segregate that cash for any particular purpose.

## **FINANCING AND OPERATIONAL ACTIVITIES**

### **History of Note Sales**

We have sold notes since 1978, including the sale of Notes in this Offering. We issued \$6,032,241 in Notes in 2022. We repaid \$7,748,443 in outstanding Notes in 2022. Thus, our net cash flow from Note sales during 2022 resulted in a decrease in annual cash flow of \$1,716,202. In 2021, we issued \$5,042,512 in Notes. We repaid \$3,973,626 in outstanding Notes in 2021. Thus, our net cash flow from Note sales during 2021 generated an increase in annual cash flow of \$1,068,886. We are not aware of any instance in the history of the Revolving Fund where we failed to repay any principal or interest of a Note when due or earlier upon request of its Noteholder. The following table sets forth the rates of interest that have been paid on the Notes since January 1, 1999:

<b>Old Note Interest Rates (%)</b>		
1/1/1999	Interest Rate	5.0%
10/1/2000	Interest Rate	6.0%
7/1/2001	Interest Rate	5.0%
1/1/2002	Interest Rate	4.0%
11/1/2006	Interest Rate	5.0%
1/1/2008	Interest Rate	4.5%
5/1/2008	Interest Rate	3.5%
7/1/2012	Interest Rate	3.0%
1/1/2016	Interest Rate	2.5%
1/1/2021	Interest Rate	2.0%
10/1/2022	Interest Rate	2.5%
1/1/2023	Interest Rate	4.0%

The amount of Notes outstanding for each type and domicile of holder of Notes are as follows:

<b>Summary of Notes Outstanding as December 31, 2022</b>					
	Type of holder - Amount of Notes Outstanding (\$)				
Jurisdiction	Individuals/ Trusts	Conferences	Churches/ Schools	Total	Total Notes (%)
Arkansas	656,459	0	1,067,011	1,723,470	2.43%
Louisiana	44,635	4,927,410	1,627,810	6,599,855	9.32%
New Mexico	343,427	2,078,287	579,263	3,000,977	4.24%
Oklahoma	1,412,239	337,418	1,359,168	3,108,825	4.39%
Texas	23,816,714	10,303,252	20,542,914	54,662,880	77.19%
*Other	1,718,217	0	0	1,718,217	2.43%
Total	27,991,691	17,646,367	25,176,166	70,814,224	
% of Total	39.53%	24.92%	35.55%	100.0%	100.0%

<b>Summary of Notes Outstanding as December 31, 2021</b>					
	Type of holder - Amount of Notes Outstanding (\$)				
Jurisdiction	Individuals/ Trusts	Conferences	Churches/ Schools	Total	Total Notes (%)
Arkansas	781,455	0	1,055,987	1,837,442	2.53%
Louisiana	55,571	4,273,026	1,585,067	5,913,664	8.15%
New Mexico	329,266	2,040,643	542,193	2,912,102	4.02%
Oklahoma	1,519,014	418,401	1,234,094	3,171,509	4.37%
Texas	26,980,330	9,970,227	19,917,645	56,868,202	78.41%
*Other	1,826,417	0	0	1,826,417	2.52%
Total	31,492,053	16,702,297	24,334,986	72,529,336	
% of Total	43.42%	23.03%	33.55%	100.0%	100.0%

\*These are holders of Notes who now reside outside the Territory. Our policy is not to sell Notes outside the Territory, including any reinvestment or "roll over" of interest to a Noteholder's "account". Holders of Notes who were once Qualified Offerees and then reside outside the Territory receive interest payments only on their Notes. The Notes subject to this Offering are being offered only within the Territory.

## **Lending Activities**

We use the term "Revolving Fund" to include the two principal elements of our operations: (i) our sale of Notes to raise money; and (ii) our lending program whereby we use money we raise and otherwise generate through our operations to make Loans to Borrowers. In addition to these two principal functions, we perform management, investment, and general administrative activities to support those functions.

## **Loan Program**

### *General*

Borrowers execute a Loan note receivable in favor of SWURF payable in monthly installments. The interest rate paid by the Borrowers on the Loans is variable and can be adjusted by SWURF in its discretion. Accrued interest on the loans is not maintained separately; it is added to the individual note receivable (the Loan) as it accrues. Loans are made for terms up to 20 years. Irrespective of these terms, substantially all of the Loans are callable for repayment by SWURF ninety days after demand in accordance with Denomination policy. The Loans generally are not secured by mortgages or other liens on any property of any of the Borrowers, or any affiliate of the Borrower, such as the Borrower's conference or the Union.

We use the proceeds from the sale of our Notes, plus other cash we generate from our operations and investments other than Loans, to: (i) make Loans to churches, schools, and other institutions affiliated with the Denomination located within our Territory for the purpose of construction, acquisition, renovation, and other capital improvement projects, or for temporary operating capital; (ii) hold as Cash and Invested Funds to preserve liquidity in part to repay the Notes; and (iii) fund our operations, including general and administrative expenses. As of December 31, 2022, we had \$60,141,845 in Loans outstanding (including principal and interest). We had \$65,264,204 in Loans outstanding on December 31, 2021 (including principal and interest). Thus, during 2022, the amount of Loans owed to SWURF decreased \$5,122,359 (7.8%). The

\$60,141,845 in Loans represented approximately 57% of our total assets. During the year of 2021, the amount of Loans owed to SWURF decreased \$6,268,832 (8.8%). The \$65,264,204 in Loans represented approximately 61% of our total assets.

Our Territory is served by five local conferences and approximately 587 churches, numerous church sponsored elementary schools, seven senior academies (grades nine through twelve), and a university (Southwestern Adventist University). The following table specifies for each type of Borrower as of December 31, 2022 and 2021 the amount of outstanding Loans, the percentage of that amount as compared to the total balance of all Loans outstanding, the number of Borrowers, and the average loan balance.

<b>Summary of Loans as of December 31, 2022 and 2021</b>								
<b>Types of Borrowers</b>	<b>2022 Amount of Loans Outstanding (\$)</b>	<b>2022 % of Total Loans</b>	<b>2021 Amount of Loans Outstanding (\$)</b>	<b>2021 % of Total Loans</b>	<b>2022 Number of Loans</b>	<b>2022 Average Loan Balance (\$)</b>	<b>2021 Number of Loans</b>	<b>2021 Average Loan Balance (\$)</b>
Churches and Elementary Schools	51,118,460	85.0%	55,784,277	85.5%	186	274,830	189	295,155
Senior Academies	882,450	1.5%	948,135	1.4%	1	882,450	1	948,135
Local Conferences	8,140,935	13.5%	8,531,792	13.1%	8	1,017,617	11	775,617
Totals	60,141,845	100%	65,264,204	100%	195	308,420	201	324,698

The interest rate paid on Loans is variable and can be adjusted monthly by our Executive Committee Officers. Our Executive Committee Officers set the interest rates on Loans at least 200 basis points or two percent (2.0%) above the interest we pay on the Notes. See "Description of the Notes – *Interest Rate*" on page 17. The current interest rate paid on Loans is six percent (6.0%). Interest rates charged on the Loans have been as follows since January 1, 1999:

<b>Loan Interest Rates</b>	
<b>Date Rate Changed</b>	<b>New Rate (%)</b>
January 1, 1999	8.0%
October 1, 2000	9.0%
July 1, 2001	8.0%
January 1, 2002	7.0%
January 1, 2003	6.5%
November 1, 2006	7.5%
January 1, 2008	7.0%
May 1, 2008	6.0%
July 1, 2012	5.5%
January 1, 2016	5.0%
October 1, 2017	4.5%
January 1, 2021	4.0%
October 1, 2022	4.5%
January 1, 2023	6.0%

Loans are made for terms up to twenty (20) years, depending on the Loan amount. However, with almost all of the Loans, we have the right to require repayment in full at any time within ninety (90) days after demand. Borrowers generally must make monthly installment payments on the Loans.

#### *Loan Approval*

Loans are approved by the Executive Committee Officers based on certain guidelines provided by the North American Division of the General Conference Working Policy. The guidelines we use to review Loan applications include the following:

- a. **To churches**, provided that: (i) the Loan does not exceed four hundred percent (400%) of the church's annual tithe.

b. **To colleges/universities**, provided the ratio of unrestricted and temporarily restricted net assets to outstanding debt must be greater than 2:1.

c. **To local conferences and the organizations whose Loans the local conferences cosign**, up to one hundred percent (100%) of the average annual gross tithe income of the respective conference for the past three (3) years. This percentage limitation includes both: (i) borrowing by a local conference directly; and (ii) guaranteeing Loans for Borrowers within or served by that local conference.

These are only guidelines. Their application in any given situation is within our discretion. In addition, Denominational policy permits the percentage limit to be raised to 150% of the average annual gross tithe income of the respective conference for the past three (3) years.

The North American Division of the General Conference Working Policy places limits on the amount of debt a local conference (guarantor) may borrow including debt that they are held contingently liable.

The following table shows the borrowing that the local conference is either directly or contingently liable to the Fund and its percentage of the policy debt limit.

Debt Compared to Policy Limits		
Arkansas-Louisiana	1,802,013	14%
Oklahoma	4,577,266	53%
Southwest Region	13,958,218	105%
Texas	34,983,197	58%
Texico	4,821,151	58%

#### *Exception Loans*

Some Loans may not meet our above Loan guidelines in one or more respects. A determination regarding such Loans lies within our discretion. Factors that the Executive Committee Officers may consider, include but are not limited to: (i) the financial strength of the Borrower and the Borrower's cosigner; (ii) the Borrower's payment history with regard to Loans previously approved; and (iii) the importance and gospel mission of the Borrower's project.

#### *Repayment of the Loans*

We require that each local conference or local conference corporation/association cosign or provide a guaranty all Loans made to Borrowers within the administrative jurisdiction of such local conference, except for colleges or hospital organizations. Loans made to colleges or hospital organizations are not required by our policies to be guaranteed by a local conference or local conference corporation/association. Loans generally are not secured by property of the Borrowers.

#### *Late Payments and Delinquent Loans*

We consider a Loan "delinquent" if the Borrower has been late in payments of principal or interest for greater than ninety (90) days. If we receive payment from a cosigner or guarantor before ninety (90) days, we do not consider the Loan delinquent. As of December 31, 2021 and December 31, 2020, none of our outstanding Loans were considered delinquent.

Our practice is to apply payments greater than the applicable monthly payment to other payments due in a calendar year. Thus, we would consider a Loan delinquent only after all overpayments within a calendar year were exhausted and ninety (90) days had passed since the applicable payment was due.

Our management continually monitors the repayment status of our Loans. We request that Borrowers that are late in making one or more payments make their Loans current as soon as possible. This process involves notices from us to Borrowers and their cosigner/ guarantor. We consider a payment late if we do not receive it by the end of the month that a payment is due.

The following table summarizes the Loans that were delinquent in payments of principal or interest for greater than ninety (90) days at a time as of the dates indicated. As of each date, the following information is specified: (i) the total balance of all Loans outstanding (whether or not delinquent); (ii) the number of delinquent Loans; (iii) the balance of those delinquent Loans.

<b>Date</b>	<b>Total Loans(\$)</b>	<b>Number of Delinquent Loans(\$)</b>	<b>Principal Balance(\$)</b>	<b>Compared to All Loans(%)</b>
As of December 31, 2018	77,876,361	1	307,502	0.4%
As of December 31, 2019	73,332,444	0	0	0%
As of December 31, 2020	71,533,036	0	0	0%
As of December 31, 2021	65,264,204	0	0	0%
As of December 31, 2022	60,141,845	0	0	0%

Our Loan delinquency policy requires the cosigners/guarantors of our Loans to make a Loan payment on behalf of the applicable Borrower to prevent the Borrower from falling 90 days past due on its Loan payment. That is, before that payment would be considered "delinquent" we demand payment from the cosigner/guarantor. The 0.4% delinquency rate as of December 31, 2018, 0.0% as of December 31, 2019, December 31, 2020, December 31, 2021, and December 31, 2022, is a result of the enforcement of this policy; before a Loan is considered "delinquent" we demand payment from the cosigner/guarantor. Accordingly, the delinquency rate may not accurately reflect the financial status and repayment history of our Borrowers since payments are made on behalf of Borrowers by cosigners/guarantors before the Loan is considered delinquent.

We demanded and received payments of \$268,186 from cosigners/guarantors during 2022, on 16 loans. In 2021, we demanded and received payments of \$404,300 from cosigners/guarantors on 16 loans.

#### *Loan Loss Reserves*

We do not maintain specific reserves for Loan losses. Because we have cosigners/guarantors for Loans, we have not established a reserve for bad debt. However, we cannot guarantee that all Loans will be repaid by Borrowers or their cosigners/guarantors. We do not actively monitor the financial condition of Borrowers or their cosigners/guarantors.

#### *Material Loans*

Our total Loans outstanding as of December 31, 2022 were \$60,141,845. As of that date, no single Loan outstanding was greater than 8.2% of the total Loans outstanding.

As of December 31, 2022, our five largest Loans were to the following types of entities in these amounts:

<b>Type of Entity</b>	<b>Loan Amount (\$)</b>	<b>Percentage of Total Loans Outstanding</b>
Conference	4,950,096	8.2%
Church	2,535,021	4.2%
Church	2,375,347	3.9%
Church	1,850,164	3.1%
Church	1,801,447	3.0%

## CASH AND INVESTED FUNDS

**We maintain at least 5 percent (5%) of our total assets in cash or investments other than the Loans. We hold monies not yet disbursed to Borrowers, or otherwise used in our operations, as Cash and Invested Funds. These are listed in our balance sheet as: (i) Cash and Cash Equivalents; and (ii) Investments. See "Statement of Financial Position" on page F-4. As of December 31, 2022, these totaled \$45,227,476 which represented 42.9% of our total assets and 63.9% of the total value of Notes we owe to our Noteholders. For the prior year, as of December 31, 2021, these totaled \$41,711,875 which represented 39.0% of our total assets and 57.5% of the total value of the Notes we owed to Noteholders. See "Risk Factors -**

*Our liquid assets invested in readily marketable securities are subject to various market risks which may result in losses if market values of investments decline" on page 6.*

We determine the anticipated need for cash and other available funds based on our continuing assessment of the apparent demand for repayment of Notes as well as the apparent demand from Borrowers for new Loans. We base these determinations on our ongoing internal assessments of historical information relating to Note repayment demand; this information and our internal assessments of that information may not accurately reflect actual demand for repayment of the Notes. Available funds are invested in both short-term and long-term investments. Investment policies are approved by our investment committee. Our investment portfolio also includes investment funds that are controlled and operated by the General Conference of the Denomination. As of December 31, 2022, the amount of our investment portfolio invested in investment funds controlled and operated by the General Conference was \$1,589, which represented .004% percent of our total investment funds. As of December 31, 2021, the amount of our investment portfolio invested in investment funds controlled and operated by the General Conference was \$20,405,405, which represented 48.9% percent of our total investment funds. As of December 31, 2022, our investment funds included \$8,633,871 in large cap/small cap equities; those investments totaled \$2,300,332 as of December 31, 2021. The General Conference uses registered investment advisors for these investment funds.

Due to the conservative nature of our investments, the returns we earn on such investments may be less than the rate of interest we pay on the Notes. Our investments in debt securities generally are purchased with the intention of holding such investments until their stated maturity, thereby increasing the likelihood that we will receive the agreed payments on such investments, including investments in collateralized mortgage obligations "CMOs", despite changes in market interest rates (subject to the risk of purchase). The market value and profitability of our invested assets will fluctuate because they are subject to market forces and changes in interest rates. Interest rates can be volatile, and may change for many reasons, including activity by the Federal Reserve, inflation, the exchange rate, performance of the stock market, and other economic forces. We offer no assurance that the market value and profitability of our invested assets will meet or exceed previous performance. We may as conditions warrant, sell such investments prior to stated maturity at a gain or loss in the specific case.

Our investment policy permits us to hold excess funds in money market instruments and CMOs issued by the Government National Mortgage Association "Ginnie Mae", the Federal National Mortgage Association "Fannie Mae", and the Federal Home Loan Mortgage Corporation "Freddie Mac". We may also invest in registered, open-ended mutual funds, Exchange Traded funds and well capitalized, non-speculative Real Estate Investment Trusts. A summary of our investments is as follows:



<b>Investments</b>	<b>As of December 31, 2022(\$)</b>	<b>2022 % of Total</b>	<b>As of December 31, 2021(\$)</b>	<b>2021 % of Total</b>	<b>As of December 31, 2020(\$)</b>	<b>2020 % of Total</b>
Certificates of Deposits	2,482,846	7%	2,499,014	32%	3,510,422	51%
Governmental Debt Securities –	20,666,245	61%	0	0%	0	0%
Mutual Funds & Equities	10,819,532	32%	5,316,533	68%	3,337,422	49%
Large Cap US Equity	0	0%	0	0%	0	0%
<b>Total Investments</b>	<b>33,968,623</b>	<b>100%</b>	<b>7,815,547</b>	<b>100%</b>	<b>6,847,844</b>	<b>100%</b>

See Financial Statements Note 3 – Investments, page F-10.

### **Liquidity Guidelines - The Capital Reserve**

The Capital Reserve is a component of our unrestricted net assets that is intended to retain liquidity for the repayment of our Notes. We make no Loans or other expenditures that would reduce our Capital Reserve. As of December 31, 2022, our Capital Reserve was \$9,352,128 which represented 8.9% of our total assets and 13.2% of the total value of the Notes we owe to holders of Notes as of such date. For the prior year, as of December 31, 2021, our Capital Reserve was \$9,933,522, which represented 9.3% of our total assets and 13.7% of the total value of the Notes we owed to holders of Notes as of such date. Funds represented by the Capital Reserve, plus other funds for liquidity and operations, are maintained in Cash and Invested Funds.

Our practice is to invest Capital Reserve monies in Money Market Funds, Certificates of Deposit, Government and Agency Securities, Investment grade corporate notes and bonds and stock and bond mutual funds.

### **DESCRIPTION OF THE NOTES**

The following describes the terms of the Notes and the manner of the offering. The actual Note terms are contained in the Subscription Agreement (attached as **Exhibit A**) and will govern the terms of the Notes. Note "Account Statements" are sent from time to time to each Noteholder.

#### ***Term***

The Notes do not have a specific term. Principal and accrued interest will be paid not later than ninety (90) days after written demand by the Noteholder. Historically, we have paid Noteholders immediately upon demand. However, we have the right to delay payment to you for up to ninety (90) days after you demand payment.

#### ***Interest Rate***

The interest rate paid on the Notes is variable and can be periodically changed by SWURF upon at least 30 days written notice. Each change in the interest rate (if and when made) will take effect as of the next first day of the month, after at least 30 days written notice, which notice may be provided in writing (including by Email or other electronic transmission) or which may be provided by posting the interest rate on the then-current website of the Southwestern Union Revolving Fund. Decisions to set the rate generally are based on market rates on investments and the interest rate we set for the Loans. This rate is four percent (4.0%) as of the Effective Date of this Offering Circular. A change in the rate (if and when made) is effective on the first day of the month. The working policies of the Denomination generally applicable to revolving funds like ours recommend that we limit to four hundred (400) basis points (four percent (4%)) of the spread between the interest rate we pay on our Notes and that which we charge on the Loans. The current spread between the

interest rate for Notes and the interest rate we charge on the Loans is two hundred (200) basis points (two percent (2.0%)).

***Interest  
Payments***

We pay interest on the Notes quarterly on March 31, June 30, September 30, and December 31. Upon your request, interest may be reinvested in the Fund. We may refuse to permit you to reinvest at our discretion. Generally, we will refuse if: (a) you do not continue to reside in our Territory, (b) funds are not needed for Loans and we determine (in our sole and absolute discretion) that increasing the funds in the Revolving Fund is not advantageous, (c) our registration or exemption from registration in the states we operate does not extend to the reinvestment, or (d) other business considerations dictate that increasing the funds in the Revolving Fund is not advantageous (in our sole and absolute discretion).

***Security/Liquid  
ity Reserves***

Our Notes are not secured by mortgages or other liens on any property. Repayment has not been guaranteed. We rely on Loan repayments and our Cash and Invested Funds for the funds necessary to repay our Notes. We have established a Capital Reserve to hold a portion of the Revolving Fund's yearly net gains. The Capital Reserve is available to meet any redemption requests that exceed the Revolving Funds available cash. Our practice is to invest Capital Reserve monies in Money Market Funds, Government and Agency Securities, Investment grade corporate notes and bonds and stock and bond mutual funds.

We determine the anticipated need for cash and other available funds based on our continuing assessment of the apparent demand for repayment of our Notes as well as the apparent demand from Borrowers for new Loans. We base these determinations on our ongoing internal assessments of historical information relating to Note repayment demand; this information and our historical internal assessments of that information may not accurately reflect actual demand for repayment.

***Changes in the  
Note Terms  
and Conditions***

The terms and conditions of the Notes other than the interest rate (see "Description of the Notes – Interest Rate") may be changed upon thirty (30) days' notice to Noteholders. If a Noteholder objects to any change, the objection will be treated as a demand for repayment.

***Redemption by  
the Issuer***

The Notes or portions thereof may be redeemed at our option at any time at one hundred percent (100%) of principal plus accrued interest. If your outstanding Notes do not exceed five hundred dollars (\$500), we may redeem them at our option. As of the date of this Offering Circular we will not allow individuals to purchase more than \$12,000 of Notes per year (per account) and we will not allow organizations to purchase more than \$25,000 of Notes per year. We will provide at least fifteen (15) but not more than sixty (60) days' notice of a redemption date (the date payment will be made). Interest will cease to accrue on the Notes or portions thereof that are called for redemption on the date we send payment to you. If less than all of the Notes are to be redeemed, we will select the Notes to be redeemed pro rata or by lot no more than sixty (60) days before the redemption date.

***Transfers,  
Pledges  
and Security  
Interests***

Transfers of the Notes are prohibited. Pledges, liens, or other security interests in the Notes to third parties will not be registered. Because the Notes may not be transferred, each prospective Noteholder may only obtain notes for investment.

***Amount of  
Offering***

We are offering \$25,000,000 in principal amount of our Notes.

***Price,  
Denomination,  
Method of  
Payment***

Our Notes are offered for sale by direct payment to us and are priced at one hundred percent (100%) of their face amounts. Generally, we require payment in the form of a check drawn on the account of the named purchaser and payable directly to SWURF. You must initially purchase at least \$500 of Notes and must maintain at least that amount. If you do not, we may redeem your outstanding Notes at our option. We may, from time to time, limit the amount of Notes you may purchase, including refusing to sell Notes at any time.

***Subordination***

Our Notes are not subordinated in right of payment to, nor materially limited or qualified by the rights of, any securities or other indebtedness of the Issuer. We have no authorized or outstanding securities other than our Notes.

***Additional Debt***

SWURF may from time to time incur operational or capital debt in the ordinary course of our operations, whether secured or unsecured, without approval by the Noteholders. Such additional debt, if incurred, may have priority over the Notes. This means that some payments on additional debt could be paid before the amounts due to Noteholder on the Notes. Any debt or debt securities incurred or issued by us and secured by our assets having priority over the Notes will not exceed ten percent (10%) of SWURF's tangible assets.

***Plan to Handle  
Unanticipated  
Demands for  
Repayment of  
the  
Notes***

Demand for repayment of the Notes by most or all of the Noteholders at a particular time is possible because of the 90-day demand feature. We preserve at least five percent (5%) of our assets in investments other than the Loans as Cash and Invested Funds thru our Capital Reserve (see "Cash and Invested Funds – Liquidity Guidelines – The Capital Reserve" on page 17). We could elect to demand repayment, by the Borrowers and the organizations that cosign the Loans, of some or all of the Loans to satisfy our obligations under the Notes (the Loans are issued under installment notes substantially all of which are 90-day demand obligations of the Borrowers). We also may elect to exercise our rights against cosigners/guarantors to satisfy some of the obligations of such Loans. If Noteholders of all, or substantially all, of the Notes called for repayment at the same time or within a relatively short period, it is unlikely that we would receive sufficient funds from a call of the Loans on a timely basis to satisfy such demand for immediate repayment.

***Purchaser  
Qualifications***

As of the Effective Date, we offer the Notes exclusively to "Qualified Offerees", meaning: (i) persons who reside in Arkansas, Louisiana, New Mexico, Oklahoma, and Texas, and who hold membership in a church within the Seventh-day Adventist religious Denomination; and (ii) entities affiliated with the Denomination located within these jurisdictions for themselves or as trustees or administrators of trusts and other fiduciary programs. Trusts and other fiduciary programs administered by Denomination-affiliated entities may purchase the Notes in the name of the applicable Denomination-affiliated entity for the benefit of the specified beneficiaries. Certain trusts, the trustees and beneficiaries of which are members of Seventh-day Adventist churches and who reside in our Territory, also may purchase Notes subject to our approval. We reserve the unilateral right to reject in whole or in part subscriptions of any prospective purchaser regardless of such person's qualifications.

***Form of the  
Notes***

We issue our Notes as uncertificated securities, subject to the Uniform Commercial Code as enacted in Texas. Our Notes are not represented by a written instrument. Purchases and demands for repayment of the Notes are registered on our records.

**Note "Account Statements"**

You will receive Note "Account Statements" relating to purchases, demands for repayment, and quarterly Note "Account Statements" detailing your Note holdings and the interest accrued thereon.

**Method of Distribution**

Potential investors who are qualified to purchase the Notes (see "Description of the Notes - Purchaser Qualifications" on page 19) may contact the Issuer if they are interested in purchasing Notes. Only investors who meet these qualifications are permitted to purchase Notes. Upon verification that a potential purchaser is a Qualified Offeree, the Issuer will send the then-current Offering Circular to the potential purchaser of Notes. The Offering will be conducted by the Issuer without the use of an underwriter through a registered or licensed agent of the Issuer where required. No commissions or other remuneration will be paid or given directly or indirectly for soliciting any prospective Noteholder. The Revolving Fund is commonly known throughout the Territory to members of the Denomination and the Notes will not be promoted (and prospective Noteholders will not be solicited) through: (i) advertisements, articles, notices or other communications published in any newspaper, magazine, online, or similar medium, or publicly disseminated in the news media, television, radio, through the mails, online, or otherwise; or (ii) any seminar or meeting whose attendees had been invited by any general solicitation or general advertising.

**Administrative Expenses**

The expenses of this Offering, including legal fees, accounting fees, filing fees, printing, and mailing costs are estimated to total approximately \$60,000 and are paid by SWURF. We may use proceeds from this Offering to pay these expenses. We also incur certain administrative expenses in operating the Revolving Fund, including expenses for office supplies and for services supplied by the Southwestern Union Association. For 2022, the Revolving Fund paid a management fee to the Southwestern Union Association of \$138,000 to offset compensation costs along with other costs including office rent, equipment and postage. We also contributed \$80,487 to the Southwestern Union Corporation Educational Endowment Fund in 2022.

**Subscription Agreement**

In order to purchase Notes, you must complete and sign a Subscription Agreement in the form of **Exhibit A** to this Offering Circular and send it with the full purchase price of the Notes (one hundred percent (100%) of their face amounts) to us. The purchase price must be in the form of a personal check, cashier's check, postal money order, or other negotiable instrument payable to the Southwestern Union Revolving Fund. A Note will not be issued unless the purchase price has been collected. We may, in our sole discretion, reject all or part of a subscription at any time before acceptance. Upon rejection of any part of a subscription, we will return the relevant portion of the funds, without interest, to the subscriber. A subscription will not be deemed accepted until we send an "Account Statement" to the Subscriber.

**Investment Intent**

As part of the Subscription Agreement in the form of **Exhibit A**, SWURF may require you to execute an "Investment Intent Letter" as set forth therein. You may not be permitted to purchase Notes if you do not meet, and agree to, the standards and terms of the Investment Intent Letter.

**Payroll Deduction Program**

Employees of the Southwestern Union Association and local conferences who reside within our Territory may participate in a payroll deduction program, where deductions are made from the employees' regular payroll and checks are drawn made payable to us in order to purchase Notes. The Southwestern Union Association and the conferences located in the Southwestern Union Association territory currently offer this program. Employees of these conferences should contact their treasury/payroll department for more information about this program.

**No Insurance  
or Guarantee of  
the Notes**

Neither the FDIC, SIPC nor any other governmental (federal or state) or private entity guarantees or insures our Notes. See – “Risk Factors - *Risks of investment in the Notes may be greater than implied by relatively low interest rates on the Notes and the Notes are not insured by any governmental agency or private insurance company*” on page 7.

**PLAN OF DISTRIBUTION**

The Revolving Fund is commonly known throughout the Territory to members of the Denomination and the Notes will not be promoted (and prospective Noteholders will not be solicited) through: (i) advertisements, articles, notices or other communications published in any newspaper, magazine, online, or similar medium, or publicly disseminated in the news media, television, radio, through the mails, online, or otherwise; or (ii) any seminar or meeting whose attendees had been invited by any general solicitation or general advertising. The Issuer has not engaged an underwriting or other selling agent, and therefore, no underwriting or selling agreements exist. No direct or indirect commissions or other remuneration will be paid to any individuals or organizations in connection with the offer and sale of the Notes.

**CERTAIN TAX CONSIDERATIONS**

Interest paid on our Notes is not exempt from federal or state income taxes. You do not receive charitable contribution deductions for the amount paid to purchase the Notes. We notify you of stated interest earned on the Notes by sending you federal income tax Form 1099-INT after the close of the calendar year.

Section 3406 of the IRS Code requires us to make withholdings from interest payments to those Noteholders who have furnished incorrect tax identification numbers. At the present time, the withholding requirement is equal to 24 percent of each interest payment. If notified by the Internal Revenue Service that a Noteholder has supplied us with an incorrect tax identification number, we will immediately request that the Noteholder submit a corrected number or we will redeem the Noteholder’s Notes.

You should consult your own tax advisor concerning these and possibly other tax considerations.

**LITIGATION**

As of the date of this Offering Circular, we are not involved in any legal proceedings which may adversely affect our operations. To our knowledge, no legal proceedings of a material nature involving the Issuer are contemplated by any individuals, entities, or governmental authorities. We have neither requested nor been provided an opinion of outside legal counsel with respect to litigation or other legal proceedings involving the Issuer.

**MANAGEMENT AND GOVERNANCE**

**Compensation**

All functions of the Revolving Fund are performed by employees of the Southwestern Union Association whose duties include the operations of the Revolving Fund. Thus, the Revolving Fund has no employees of its own. The oversight and management of the Revolving Fund is conducted by our Executive Committee Officers. All Executive Committee Officers are employees of the Southwestern Union Association and are elected to 5 (five) year terms by the constituents of the Southwestern Union Association who serve as the membership of the Southwestern Union Corporation. For 2022, the Revolving Fund paid a management fee to the Southwestern Union Association of \$138,000 to offset compensation costs along with other costs including office rent, equipment, and postage.

**Related Party Transactions**

The Notes beneficially held by the Executive Committee Officers, Directors, and members of SWURF are held on terms that are identical to those we apply to other Noteholders.

Some of our Executive Committee Officers also serve as officers, directors, and corporation members of governing bodies, such as boards and committees, of other Denominational organizations, including the Borrowers and cosigners/guarantors. We maintain and actively supervise guidelines on conflicts of interest. Our Executive Committee Officers annually sign and follow a statement on the avoidance, identification and proper handling of conflicts of interests.

The Denomination maintains policies that provide recommendations on various aspects of revolving funds such as ours. We generally follow those policies within the context of the legal responsibilities and independent business judgment of our Executive Committee Officers.

## Operations and Governance

Our day-to-day operations are managed by the five Executive Committee Officers identified below. All Executive Committee Officers are also officers of the Southwestern Union Corporation. Our Executive Committee Officers are responsible for establishing interest rates and policies for the Revolving Fund, approving Loans and other investments. Our Executive Committee Officers and Directors are elected to 5 (five) year terms by the Executive Committee of the Southwestern Union Association who serve as the membership of the Southwestern Union Corporation. Officers and Directors are replaced by a vote of the remaining committee members.

## Officers and Directors

Name and Address	Position	Committee	Term Expires
Carlos Craig 777 S. Burleson Blvd Burleson, TX 76028	Chairman and President	Executive	May 2026
Stephen Brooks 777 S. Burleson Blvd Burleson, TX 76028	Secretary	Executive	May 2026
John Page 777 S. Burleson Blvd Burleson, TX 76028	Treasurer	Executive	May 2026
Bo Just 777 S. Burleson Blvd Burleson, TX 76028	Associate Treasurer and Undertreasurer	Executive	May 2026
Joel Wallace 777 S. Burleson Blvd Burleson, TX 76028	Associate Treasurer	N/A	May 2026
Tony Anobile 777 S. Burleson Blvd Burleson, TX 76028	Director	Executive	May 2026
Carol Campbell 777 S. Burleson Blvd Burleson, TX 76028	Director	Executive	May 2026
David Coggin 250 NW Tarrant Ave Ste E Burleson, TX 76028	Director	N/A	May 2026
Oswaldo Rigacci 777 S. Burleson Blvd Burleson, TX 76028	Director	Executive	May 2026

\*Executive Committee Officers, individually and as a group, beneficially own less than 3% of the outstanding Notes of the Issuer. Executive Committee Officers reserve the right to purchase additional Notes.

*Carlos Craig* currently serves as President and Chairman of both the Southwestern Union Corporation and the Southwestern Union Association. He has held these positions since May 2021. He is one of nine union conference presidents serving the North American Division of the Denomination, and is active in key leadership, board, and committee assignments throughout the Denomination. He currently serves as the Chairman of the Board of Trustees for the Southwestern Adventist University and is an active member on the

Loma Linda University, Andrews University, Oakwood College, Pacific Press, AdventHealth and Huguley Memorial Medical Center Boards. He received a Bachelor of Arts in Theology from Montemorelos University, Montemorelos, Mexico, and holds a Masters of Divinity degree from Fuller Theological Seminary, Pasadena, California.

*Stephen Brooks* currently serves as Vice President and Secretary of the Southwestern Union Corporation. He also serves as the Executive Secretary of the Southwestern Union Association. He has held these positions since May 2021. He previously served as Executive Secretary of the Southwest Region Conference of Seventh-day Adventists, and as a Pastor for several churches in the Southwest Region, South Atlantic, and Allegheny West Conferences of Seventh-day Adventists. He holds a Bachelor of Arts degree in Religion from Southern Adventist University, Collegedale, Tennessee, and a Master of Science degree in Leadership from Western Governors University School of Business, Salt Lake City, Utah.

*John Page* currently serves as Vice President and Treasurer of the Southwestern Union Corporation. He also serves as Treasurer of the Southwestern Union Association, and Vice President for Southwest Estate Services, Inc. Before coming to the Southwestern Union Corporation and Southwestern Union Association, he was the Undertreasurer for the Texas Conference of Seventh-day Adventists from 2002-2013 and the Treasurer for Chisholm Trail Academy from 1990-2002. He holds a Bachelor of Business Administration in Accounting from Southwestern Adventist University, Keene, Texas and is a Certified Public Accountant.

*Bo Just* currently serves as Vice President and Associate Treasurer of the Southwestern Union Corporation, the Undertreasurer for the Southwestern Union Association, and the Director/Treasurer for Southwest Estate Services, Inc. Before coming to the Southwestern Union Corporation and Southwestern Union Association, he was Business Manager/Treasurer for Chisholm Trail Academy from 2005-2016 and Associate Director of General Conference Auditing Service from 1981-2005. He holds a Bachelor of Business Administration in Accounting from Southwestern Adventist University, Keene, Texas and is a Certified Public Accountant.

*Joel Wallace* currently serves as Associate Treasurer and Director of Human Resources for the Southwestern Union Association. He has held this position since July 2022. Previous to this, he served as Vice President for Finance at Southwestern Adventist University from 2013-2022. He has previously held positions of Assistant Treasurer for the Issuer and Undertreasurer for the Southwestern Union Association and Treasurer for the Southwest Estate Services, Inc., from 1993-2013. He has formerly worked as an Auditor for the General Conference Auditing Service from 1989-1993. He holds a Bachelor of Science degree in Business Administration from Union College, Lincoln, Nebraska and is a Certified Public Accountant.

*Tony Anobile* currently serves as Vice President for Ministries and is the Director for Ministerial, Stewardship, and Men's Ministries of the Southwestern Union Association. He has also served as Vice President of the North American Division of the General Conference of Seventh-day Adventist from 2018-2021, Vice President of the Pacific Union Conference of Seventh-day Adventists from 2016-2018, President, Secretary, and Departmental Director for the Arizona Conference of Seventh-day Adventists from 2003-2016, and Department Director and pastor in the Southern California Conference of Seventh-day Adventists from 1986-2003. He earned his Master of Religion degree from Loma Linda University in Loma Linda, California.

*Carol Campbell* currently serves as Vice President for Education of the Southwestern Union Association. She has held this position since October 2017. Previous to this, she served at the North American Division of Seventh-day Adventists, beginning in 2010 as an Associate Director and ending as a Vice-President for Education. Ms. Campbell earned a Doctorate of Education from the University of North Texas in 1993.

*David Coggin* currently serves as a Director of the Southwestern Union Corporation and general counsel for the Southwestern Union Association. He attended Southwestern Union College, Keene, Texas and graduated from Union College, Lincoln, Nebraska. He received a doctorate of Jurisprudence degree from the University of Texas, Austin, Texas.

*Oswaldo Rigacci* currently serves as the Vice President for Multi-Cultural Ministries and Evangelism Director of the Southwestern Union Association. He has also served as the Vice President of Hispanic Ministries and Evangelism , as well as a pastor for the Texas Conference of Seventh-day Adventists.

## **FINANCIAL INFORMATION**

The accompanying financial statements of the Issuer (beginning on page F-1) for the Issuer's fiscal year ended December 31, 2022 were audited by Gilliam, Wharram & Co., P.C. ("GW"), an independent certified public accounting firm. GW performs its independent audits based on generally accepted auditing standards as defined and described by the American Institute of Certified Public Accountants (the "AICPA"). The AICPA standards require that the auditor perform audits to obtain reasonable assurance as to whether the financial statements are free of material misstatements. Such audits include an examination, on a test basis, of evidence supporting the amounts and disclosures contained in the financial statements, and an assessment of the accounting principles used, significant estimates made by management, and the overall financial statement presentation.

The Issuer will make available to Noteholders, upon written request, its current audited financial statements. Audited financial statements will be provided to Noteholders within 120 days of the completion of the Issuer's then-current fiscal year.

## **LEGAL OPINION**

Certain states require us to obtain a legal opinion that the Notes, upon issuance, have been duly authorized and validly issued by the Issuer. We have obtained such a legal opinion where required.



# **SOUTHWESTERN UNION REVOLVING FUND**

## **AUDITED FINANCIAL STATEMENTS**

Years Ended December 31, 2020, 2021, and 2022

**SOUTHWESTERN UNION REVOLVING FUND  
YEARS ENDED DECEMBER 31, 2020, 2021, and 2022**

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# GILLIAM, WHARRAM & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

107 WESTMEADOW DR. • P.O. BOX 118  
CLEBURNE, TEXAS 76033 • (817) 641-2274  
FAX (817) 641-2474

## Independent Auditor's Report

To the Executive Committee  
Southwestern Union Conference  
of Seventh-day Adventists  
Burleson, Texas

### ***Opinion***

We have audited the financial statements of the Southwestern Union Revolving Fund, which comprise the statements of financial position as of December 31, 2020, 2021, and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Southwestern Union Revolving Fund as of December 31, 2020, 2021, and 2022, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Southwestern Union Revolving Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Related-Party Transactions***

As discussed in Note 6 to the financial statements, the entity has had numerous significant transactions with organizations that are related to the entity through its affiliation with the Seventh-day Adventist religious denomination. Our opinion is not modified with respect to this matter.

### ***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 Southwestern Union Revolving Fund's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 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 GAAS, 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.
- Obtain 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 Southwestern Union Revolving Fund'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 Southwestern Union Revolving Fund'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.

*Gilliam, Wharram & Co., P.C.*

Gilliam, Wharram & Co., P.C.  
Cleburne, Texas  
May 31, 2023

**Southwestern Union Revolving Fund  
Statements of Financial Position**

	December 31		
	2022	2021	2020
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 11,250,395	\$ 33,892,445	\$ 26,419,456
Investments	33,968,623	7,815,548	6,847,844
Accrued Interest Receivable	8,458	3,882	5,926
Notes Receivable	60,141,845	65,264,204	71,533,036
Total Assets	<u>\$ 105,369,321</u>	<u>\$ 106,976,079</u>	<u>\$ 104,806,262</u>
<b>LIABILITIES AND NET ASSETS</b>			
Accounts Payable	\$ 20,708	\$ 19,618	\$ 62,845
Notes Payable	70,793,516	72,509,718	71,440,831
Total Liabilities	70,814,224	72,529,336	71,503,676
Net Assets Without Donor Restrictions			
Capital Reserve	9,352,128	9,933,522	9,550,873
Unallocated	25,202,969	24,513,221	23,751,713
Total Net Assets Without Donor Restrictions	34,555,097	34,446,743	33,302,586
Total Net Assets	34,555,097	34,446,743	33,302,586
Total Liabilities and Net Assets	<u>\$ 105,369,321</u>	<u>\$ 106,976,079</u>	<u>\$ 104,806,262</u>

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

**Southwestern Union Revolving Fund  
Statements of Activities**

	Year Ended December 31		
	2022	2021	2020
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>			
Operating Revenues and Gains			
Interest Income on Notes Receivable	\$ 2,593,326	\$ 2,735,863	\$ 3,237,975
Investment Income	648,213	194,305	363,424
Net Realized and Unrealized Gains (Losses) on Investments	(981,687)	253,541	67,571
Total Operating Revenues and Gains	2,259,852	3,183,709	3,668,970
Operating Expenses			
Program Services:			
Interest Expense on Notes Payable	1,774,578	1,714,027	1,983,164
Education Endowment Appropriation	80,487	86,733	117,245
Total Program Services	1,855,065	1,800,760	2,100,409
Supporting Services:			
Personnel Costs	75,000	75,000	75,000
Information Systems	63,000	63,000	63,000
Legal and Professional	151,627	73,543	75,203
Other	6,806	27,249	27,520
Total Supporting Services	296,433	238,792	240,723
Total Operating Expenses	2,151,498	2,039,552	2,341,132
Increase in Net Assets Without Donor Restrictions	108,354	1,144,157	1,327,838
Increase in Total Net Assets	108,354	1,144,157	1,327,838
Total Net Assets, Beginning of Year	34,446,743	33,302,586	31,974,748
Total Net Assets, End of Year	\$ 34,555,097	\$ 34,446,743	\$ 33,302,586

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

**Southwestern Union Revolving Fund**  
**Statements of Cash Flows**

	Year Ended December 31		
	2022	2021	2020
<b>OPERATING ACTIVITIES</b>			
Increase in Total Net Assets	\$ 108,354	\$ 1,144,157	\$ 1,327,838
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Net Realized and Unrealized (Gains) Losses on Investments	981,687	(253,541)	(67,571)
(Increase) Decrease in Accrued Interest Receivable	(4,576)	2,044	3,266
Increase (Decrease) in Accounts Payable	1,090	(43,227)	26,305
Net Cash Provided by Operating Activities	1,086,555	849,433	1,289,838
<b>INVESTING ACTIVITIES</b>			
Proceeds from Investments	11,441,186	19,538,595	4,610,114
Purchase of Investments	(38,575,948)	(20,252,758)	(3,867,494)
Notes Receivable Issued	(3,046,938)	(1,699,001)	(4,579,762)
Payments Received on Notes Receivable	8,169,297	7,967,833	6,379,170
Net Cash Provided by (Used in) Investing Activities	(22,012,403)	5,554,669	2,542,028
<b>FINANCING ACTIVITIES</b>			
Notes Payable Issued	6,032,241	5,042,512	4,964,954
Payments Made on Notes Payable	(7,748,443)	(3,973,625)	(3,634,662)
Net Cash Provided by (Used in) Financing Activities	(1,716,202)	1,068,887	1,330,292
Increase (Decrease) in Cash and Cash Equivalents	(22,642,050)	7,472,989	5,162,158
Cash and Cash Equivalents, Beginning of Year	33,892,445	26,419,456	21,257,298
Cash and Cash Equivalents, End of Year	\$ 11,250,395	\$ 33,892,445	\$ 26,419,456
Interest Paid	\$ 1,774,578	\$ 1,714,027	\$ 1,983,164

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

**Southwestern Union Revolving Fund**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2020, 2021, and 2022**

**Note 1-Organization and Summary of Significant Accounting Policies**

The Southwestern Union Revolving Fund (SWURF) is a fund of the Southwestern Union Conference Corporation (the Corporation) established for the purpose of providing loans and lines of credit for building and other capital improvement activities and for satisfying temporary operating capital requirements to organizations affiliated with the Seventh-day Adventist religious denomination (the Denomination) located within the territory served by the Southwestern Union Conference of Seventh-day Adventists (the Union), an unincorporated body affiliated with the Denomination. This territory (the Territory) includes these jurisdictions: Arkansas, Louisiana, Oklahoma, New Mexico, and Texas. The Seventh-day Adventist local churches in the Union are grouped in five conferences (Conferences) affiliated with the Union. The Conferences provide coordination, supervision and leadership to and for local churches of the Denomination within the Territory of the Union. SWURF is governed by the Corporation's Board of Directors (the Board) in accordance with its corporate bylaws.

**Use of Estimates**

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

**Revenue Recognition**

Revenues consist of investment income, net realized and unrealized gains (losses) on investments, and interest earned from loans. These are recognized on the accrual basis of accounting.

**Concentration of Notes Receivable and Financial Instruments**

Financial instruments that potentially subject SWURF to concentration of credit risk consist principally of notes receivable (see Note 4) from loans (the Loans). The notes receivable are primarily from various Seventh-day Adventist local churches and other organizations in the Territory that are affiliated with the Denomination (the Borrowers). The Loans generally are not secured by mortgages or other liens on any property of any of the borrowers of the Loans, or any affiliate of either SWURF or the Denomination. Each Conference, and its affiliated Association/Corporation that holds title to the principal real estate assets of that Conference, guarantee substantially all Loans made to Borrowers that are churches or schools within that Conference. If a Borrower is not a Conference, or a church or school within a Conference, it generally must provide SWURF with security for a Loan, which may include a lien on its property.



**Southwestern Union Revolving Fund**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2020, 2021, and 2022**

**Note 1-Organization and Summary of Significant Accounting Policies-Continued**

The ability of SWURF to repay its notes payable (see Note 5) is based primarily on its ability to obtain repayment of the Loans from the Borrowers and from the Conferences and the respective Associations/Corporations that guarantee substantially all of the Loans. The income of the Borrowers and guarantors directly affects their ability to repay the Loans, and is dependent upon voluntary charitable contributions and offerings of members of church Borrowers or other income generated by the Borrowers and guarantors. The Territory's economic conditions can also influence the Borrowers' ability to repay.

There is a risk that the Borrowers may not be able to repay the Loans. Although SWURF has several sources for repayment of the Loans in addition to the repayment by the Borrowers, there is a risk that SWURF might not be able to secure sufficient repayments of the Loans to meet all demands for repayment of the notes payable. Bad debts resulting from non-payment would be written off to bad debt expense when reasonable collection efforts have failed and when specific circumstances warrant it.

Other financial instruments that potentially subject SWURF to concentration of credit risk involve cash and cash equivalents (see Note 2) and investments (see Note 3).

In accordance with Denomination policy, SWURF has designated a portion of its net assets as a Capital Reserve to provide additional security for its notes payable. Changes to the reserve are from investment earnings and market value changes. No addition to the reserve was considered necessary for 2022, 2021, or 2020. SWURF has no net assets that are temporarily or permanently restricted by outside parties.

The relationship of SWURF to the Borrower and its guarantors differs from an ordinary arm's-length relationship between a commercial lender and a borrower. All of the Loans made by SWURF are to organizations affiliated with the Denomination. The Loans are documented by agreements that do not contain some of the aggressive enforcement and collection terms customarily found in commercial loan agreements. The Borrowers are not required to meet loan qualification requirements as stringent as those that commercial lenders use in making loans to unrelated parties. The officers of SWURF and the guarantors of the Borrowers collaborate closely in the mission and work of the Denomination. In some cases, SWURF officers and Board members hold multiple fiduciary positions simultaneously with SWURF and one or more guarantors of Borrowers. Accordingly, SWURF may be willing to accommodate partial, late, or deferred payments in satisfaction of such Loans or to decline to fully assert available remedies upon the default of a Borrower. In some cases, Borrowers have been late in making payments on their Loans, and certain payments have been made by guarantors of the Loans until the borrowers were able to resume payments.

**Southwestern Union Revolving Fund**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2020, 2021, and 2022**

**Note 1-Organization and Summary of Significant Accounting Policies-Continued**

**Cash Equivalents**

For the purposes of these statements, highly liquid investments with a maturity of three months or less at the date of acquisition generally are considered to be cash equivalents.

**Net Assets**

Entities are required to present two classes of net assets (with donor restrictions and without donor restrictions) in the statement of financial position and, in the statement of activities, the changes in these two classes. SWURF has no donor restricted net assets.

**Expenses**

Expenses are reported by both their natural classifications (e.g., interest, personnel costs, etc.) and their functional classifications (program services, supporting services, etc.). SWURF has no expenses that were required to be allocated among functions.

**Income Tax Status**

The Corporation is a religious nonprofit organization and claims exemption from federal, state, and local income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, and corresponding sections of applicable state and local codes, except for taxes on unrelated business income, if any, as described in Section 511-514 of the Internal Revenue Code. Management of the Corporation indicates that it historically has generated no unrelated business income. The Corporation is not a private foundation.

**New Accounting Pronouncement**

ASU 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 modified the disclosure requirements on fair value measurements in Topic 820. The amendments in ASU 2018-13 remove disclosures that no longer are considered cost beneficial, modify/clarify the specific requirements of certain disclosures, and add disclosure requirements identified as relevant. ASU 2018-13 became effective on January 1, 2020 and did not have any impact on the Corporation's financial statements.

**Southwestern Union Revolving Fund**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2020, 2021, and 2022**

**Note 2-Cash and Cash Equivalents**

SWURF maintains a bank account which is insured by the Federal Deposit Insurance Corporation with a \$250,000 limit for 2022, 2021, and 2020. Cash is also held in accounts in the Money Fund of the General Conference of Seventh-day Adventists (General Conference), a related entity that invests in short-term investments, primarily high grade government agency debt, commercial paper and banker's acceptances. Cash is also held in other money market accounts. Most of the cash balances are not secured and are therefore considered a credit risk. These are as follows:

	Insured	Uninsured	Total
<u>December 31, 2022</u>			
JPMorgan Chase Bank	\$ 250,000	\$ 4,979,260	\$ 5,229,260
General Conference Money Fund	-	1,588	1,588
Money market accounts	-	6,019,547	6,019,547
Total	<u>\$ 250,000</u>	<u>\$ 11,000,395</u>	<u>\$ 11,250,395</u>
<u>December 31, 2021</u>			
JPMorgan Chase Bank	\$ 250,000	\$ 10,009,560	\$ 10,259,560
General Conference Money Fund	-	20,405,405	20,405,405
Money market accounts	-	3,227,480	3,227,480
Total	<u>\$ 250,000</u>	<u>\$ 33,642,445</u>	<u>\$ 33,892,445</u>
<u>December 31, 2020</u>			
JPMorgan Chase Bank	\$ 250,000	\$ 3,993,413	\$ 4,243,413
General Conference Money Fund	-	19,839,408	19,839,408
Money market accounts	-	2,336,635	2,336,635
Total	<u>\$ 250,000</u>	<u>\$ 26,169,456</u>	<u>\$ 26,419,456</u>

**Southwestern Union Revolving Fund**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2020, 2021, and 2022**

**Note 3-Investments**

SWURF invested funds are reported in the aggregate at fair value, and are comprised of the following as of December 31:

	2022	2021	2020
Certificates of Deposit	\$ 2,482,846	\$ 2,499,014	\$ 3,510,422
Mutual Funds and Exchange Traded Funds	10,819,532	5,316,534	3,335,124
Federally Backed Debt Securities	20,666,245	-	-
Equities	-	-	2,298
Total Investments	<u>\$ 33,968,623</u>	<u>\$ 7,815,548</u>	<u>\$ 6,847,844</u>

The valuation technique used to determine the fair values above is the market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

SWURF is subject to the provisions of FASB's *Accounting Standards Codification 820*, which establishes a hierarchy that categorizes fair value measurements as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using significant other observable inputs, which may include quoted prices for similar securities, interest rates, prepayment speeds, loss severities, credit risk, etc.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used.

These reflect the entity's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

The following is a summary of the fair value measurements as of December 31, 2022, 2021, and 2020 for balance sheet items that are required to be presented at fair value:

	Level 1	Level 2	Total
Investments:			
2022	\$ 31,485,777	\$ 2,482,846	\$ 33,968,623
2021	5,316,534	2,499,014	7,815,548
2020	3,337,422	3,510,422	6,847,844

**Southwestern Union Revolving Fund**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2020, 2021, and 2022**

**Note 4-Notes Receivable**

SWURF makes Loans in the form of notes receivable to Seventh-day Adventist affiliated churches, schools and other institutions affiliated with the Denomination that are located within the Territory for the purpose of construction, acquisition, renovation and other capital improvement projects, or to satisfy temporary operating capital requirements for such Borrowers.

Each Borrower issues a note, payable in monthly installments. The interest rate paid on the Loans is variable and can be adjusted by SWURF at its discretion. The interest rate in effect on notes receivable for 2022 was 4.0% through September 30 and 4.5% starting October 1; for 2021 it was 4.0%; and for 2020 it was 4.5%. Accrued interest on the loans is not maintained separately; it is added to the individual note receivable balance as it accrues. Loans are made for terms up to twenty years. Irrespective of these terms, substantially all of the Loans are callable for repayment by SWURF ninety days after demand, in accordance with Denomination policy.

Borrowers are generally required to make monthly installment payments on the Loans. If there is a default in payment of any installment when due, the principal and interest owing on the Loan could become immediately due and payable at the option of SWURF. SWURF requires a guarantor to make a loan payment to prevent a loan from falling 90 days past due. The Corporation assesses the quality of the receivables monthly, using delinquency status as its key credit quality indicator. For the years ended December 31, 2022, 2021, and 2020, there were no notes receivable that were past due ninety days or more and still accruing interest. For 2022, 2021, and 2020, no allowance for loan losses was considered necessary, and there were no deferred loan fees or costs.

**Note 5-Notes Payable**

The notes payable (the Notes) are offered exclusively to individual members of Seventh-day Adventist churches residing in the Territory and to entities affiliated with the Denomination located within the Territory for themselves or as trustees or administrators of trusts and other fiduciary programs.

Trusts and other fiduciary programs administered by denominationally affiliated entities may purchase the Notes in the name of the applicable denominational entity for the benefit of the specified beneficiaries.

The Notes are demand promissory notes issued as uncertificated securities and are generally represented by a written subscription agreement. Purchases, transfers and demands for repayment of the Notes are registered on the internal records of SWURF. Payment of principal and accrued interest on the Notes is due and payable by SWURF as soon as practicable but no later than 90 days after written demand by the noteholder to SWURF. Interest is paid on the Notes at a variable annual rate periodically changed by SWURF based on market rates on investments and loans, and on other factors. The interest rate in effect on most notes payable for 2022 was 2.0% through September 30 and 2.5% starting October 1; for 2021 it was 2.0%; and for 2020 it was 2.5%.

**Southwestern Union Revolving Fund**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2020, 2021, and 2022**

**Note 5-Notes Payable-continued**

The Notes are not secured by mortgages or other liens on any property of SWURF, the Denomination, or any affiliate of either SWURF or the Denomination. The repayment of the Notes has not been guaranteed by the Denomination, the Union, or any affiliate of such entities or any affiliate of SWURF. Any of the Notes or portions thereof may be redeemed at the option of SWURF at any time at 100% of principal plus accrued interest, with at least 30 days but no more than 60 days' written notice. Interest will cease to accrue on the Notes or portions thereof that are called for redemption on the date payment is sent to the noteholder.

**Note 6-Related Parties**

SWURF is affiliated through common religious bonds and mission with the Denomination and the Union. Transactions with related parties include loans made to entities affiliated with the Denomination, notes payable to Church affiliated entities, investments in various General Conference investment funds, and operating support services provided by the Union.

For 2022, 2021, and 2020, approximately \$138,000 was paid each year to the Union for accounting and support services. SWURF also appropriates a portion of its net income to the Southwestern Union Educational Endowment managed by the Union. Appropriations made for years 2022, 2021, and 2020 were \$80,487, \$86,733, and \$117,245, respectively.

SWURF has notes payable to various Seventh-day Adventist entities and Churches as follows:

	2022	2021	2020
Related party notes payable at December 31:			
Union	\$ 11,632,688	\$ 10,370,155	\$ 10,318,709
Other entities and churches	42,801,825	41,017,665	39,598,755
Total	<u>\$ 54,434,513</u>	<u>\$ 51,387,820</u>	<u>\$ 49,917,464</u>
Interest expenses on these notes	<u>\$ 1,380,153</u>	<u>\$ 1,282,700</u>	<u>\$ 1,436,329</u>

**Southwestern Union Revolving Fund**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2020, 2021, and 2022**

**Note 7-Liquidity and Availability**

As part of SWURF's liquidity management, cash in excess of daily requirements is invested in short-term investments. Financial assets, which are equal to total assets for SWURF because they have no nonfinancial assets such as inventory, prepaids, property and equipment, etc., are as follows:

	2022	2021	2020
Financial assets at December 31	\$ 105,369,321	\$ 106,976,079	\$ 104,806,262
Less those unavailable for general expenditures within one year, due to:			
<u>Contractual restrictions</u>			
Notes receivable - noncurrent portion	(55,668,700)	(59,628,987)	(66,080,925)
<u>Board designations</u>			
Funds allocated for capital reserve	(9,352,128)	(9,933,522)	(9,550,873)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 40,348,493</u>	<u>\$ 37,413,570</u>	<u>\$ 29,174,464</u>

**Note 8-Commitments and Contingencies**

As of December 31, 2022, SWURF had approved Loans to Seventh-day Adventist affiliated Churches, Schools and other organizations for which no cash withdrawals had yet been made or only a portion of the loan had been withdrawn. The total amount of these commitments was \$3,396,550. The total commitment amount does not necessarily represent future cash requirements. A borrower's actual cash withdrawals from this loan commitment may be less, due to changes in funding needs.

**Note 9-Subsequent Events**

In preparing these financial statements, SWURF has evaluated events and transactions for potential recognition or disclosure through May 31, 2023, the date the financial statements were available to be issued.



# Subscription Agreement (Individuals)

## 90-Day Demand Promissory Notes ("Notes")

## Office Use Only:

Note Account No.: \_\_\_\_\_

Title: \_\_\_\_\_

The undersigned:

(i) Is a "Qualified Noteholder" (as defined in Section 8 of the 90-Day Demand Promissory Note Terms and Conditions); (ii) Agrees to the 90-Day Demand Promissory Note Terms and Conditions on the reverse side; (iii) Has received and has had the opportunity to read the current Offering Circular of the Southwestern Union Revolving Fund (the "Issuer") for the Notes; and (iv) Acknowledges that this Subscription Agreement for Notes is subject to acceptance by the Issuer and is not accepted unless and until an "Account Statement" is issued by the Issuer.

The type of Note account you select may determine how property passes on your death. Your will may not control the disposition of funds held in some of the following Note accounts. You may choose to designate one or more convenience signers on a Note account, even if the Note account is not a convenience account. A designated convenience signer may make transactions on your behalf during your lifetime, but does not own the Note account during your lifetime. The designated convenience signer owns the Note account on your death only if the convenience signer is also designated as a P.O.D. payee or trust account beneficiary. **Select one of the following accounts by placing your initials next to the account selected:**

<b>___ (1) SINGLE-PARTY NOTE ACCOUNT WITHOUT "P.O.D." (PAYABLE ON DEATH) DESIGNATION.</b> The party to the Note account owns the Note account. On the death of the party, ownership of the Note account passes as a part of the party's estate under the party's will or by intestacy.	
Enter the name of the party:	Enter the name of the convenience signer(s):
<b>___ (2) SINGLE-PARTY NOTE ACCOUNT WITH "P.O.D." (PAYABLE ON DEATH) DESIGNATION.</b> The party to the Note account owns the Note account. On the death of the party, ownership of the account passes to the P.O.D. beneficiary of the Note account. The Note account is not a part of the party's estate	
Enter the name of the party:	Enter the name and address of the P.O.D. beneficiary:
Enter the name of the convenience signer(s):	
<b>___ (3) MULTIPLE-PARTY NOTE ACCOUNT WITHOUT RIGHT OF SURVIVORSHIP.</b> The parties to the Note account own the Note account in proportion to the number of parties to the Note account. SWURF may pay any sum in the Note account to a party at any time. On the death of a party, the party's ownership of the Note account passes as a part of the party's estate under the party's will or by intestacy.	
Enter the names of the parties:	Enter the name of the convenience signer(s):
<b>___ (4) MULTIPLE-PARTY NOTE ACCOUNT WITH RIGHT OF SURVIVORSHIP.</b> The parties to the Note account own the Note account in proportion to the number of parties to the Note account. SWURF may pay any sum in the account to a party at any time. On the death of a party, the party's ownership of the Note account passes to the surviving parties.	
Enter the names of the parties:	Enter the name of the convenience signer(s):
<b>___ (5) MULTIPLE-PARTY NOTE ACCOUNT WITH RIGHT OF SURVIVORSHIP AND P.O.D. (PAYABLE ON DEATH) DESIGNATION.</b> The parties to the Note account own the Note account in proportion to the number of parties to the account. SWURF may pay any sum in the Note account to a party at any time. On the death of the last surviving party, the ownership of the Note account passes to the P.O.D. beneficiary.	
Enter the names of the parties:	Enter the name and address of the P.O.D. beneficiary:
Enter the name of the convenience signer(s):	



**ACKNOWLEDGMENT:** I acknowledge that I have read the Subscription Agreement and have received and have read the Offering Circular including the 90-Day Demand Promissory Note Terms and Conditions. I have placed my initials next to the type of Note account I want. I understand that any individual to a multiple-party Note account may close the Note account at any time. I also have read and understand and agree to the terms of the Investment Intent Letter, which is incorporated by reference herein.

**Interest on the Notes should be (pick one):**

- ☐ Reinvested in Notes  
☐ Paid to the Noteholder(s)

**SIGNATURE [INDIVIDUAL]:**

[x \_\_\_\_\_]  
Print Name: \_\_\_\_\_

**SIGNATURE [INDIVIDUAL]:**

[x \_\_\_\_\_]  
Print Name: \_\_\_\_\_

**SIGNATURE [INDIVIDUAL]:**

[x \_\_\_\_\_]  
Print Name: \_\_\_\_\_

**SIGNATURE [INDIVIDUAL]:**

[x \_\_\_\_\_]  
Print Name: \_\_\_\_\_

**SIGNATURE [Convenience Signer]:**

[x \_\_\_\_\_]  
Print Name: \_\_\_\_\_

**SIGNATURE [Convenience Signer]:**

[x \_\_\_\_\_]  
Print Name: \_\_\_\_\_

**Note Account Holder:**

First Name: \_\_\_\_\_ Middle: \_\_\_\_\_ Last Name: \_\_\_\_\_  
Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
Work Phone#: \_\_\_\_\_ Home Phone# \_\_\_\_\_ Birth Date: \_\_\_\_\_  
I am a member of the \_\_\_\_\_ Seventh-day Adventist Church in the \_\_\_\_\_ Conference  
Social Security #: \_\_\_\_\_

**Joint Note Account Owner (with/without Right of Survivorship):**

First Name: \_\_\_\_\_ Middle: \_\_\_\_\_ Last Name: \_\_\_\_\_  
Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
Work Phone#: \_\_\_\_\_ Home Phone# \_\_\_\_\_ Birth Date: \_\_\_\_\_  
I am a member of the \_\_\_\_\_ Seventh-day Adventist Church in the \_\_\_\_\_ Conference  
Social Security #: \_\_\_\_\_

**Joint Note Account Owner (with/without Right of Survivorship):**

First Name: \_\_\_\_\_ Middle: \_\_\_\_\_ Last Name: \_\_\_\_\_  
Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
Work Phone#: \_\_\_\_\_ Home Phone# \_\_\_\_\_ Birth Date: \_\_\_\_\_  
I am a member of the \_\_\_\_\_ Seventh-day Adventist Church in the \_\_\_\_\_ Conference  
Social Security #: \_\_\_\_\_

**Joint Note Account Owner (with/without Right of Survivorship):**

First Name: \_\_\_\_\_ Middle: \_\_\_\_\_ Last Name: \_\_\_\_\_  
Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
Work Phone#: \_\_\_\_\_ Home Phone# \_\_\_\_\_ Birth Date: \_\_\_\_\_  
I am a member of the \_\_\_\_\_ Seventh-day Adventist Church in the \_\_\_\_\_ Conference  
Social Security #: \_\_\_\_\_

**Convenience Signer Information:**

First Name: \_\_\_\_\_ Middle: \_\_\_\_\_ Last Name: \_\_\_\_\_  
Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
Work Phone#: \_\_\_\_\_ Home Phone# \_\_\_\_\_ Birth Date: \_\_\_\_\_

**Convenience Signer Information:**

First Name: \_\_\_\_\_ Middle: \_\_\_\_\_ Last Name: \_\_\_\_\_  
Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
Work Phone#: \_\_\_\_\_ Home Phone# \_\_\_\_\_ Birth Date: \_\_\_\_\_

## Exhibit A

## Southwestern Union Revolving Fund

(a fund of the Southwestern Union Conference Corporation of Seventh-day Adventists)

P.O. Box 4000, Burleson, TX 76097

(817) 295-0476 - (817) 447-2443 (Fax)

# Subscription Agreement (Church/Institution)

## 90-Day Demand Promissory Notes ("Notes")

### Office Use Only:

Note Account No.: \_\_\_\_\_

Title: \_\_\_\_\_

The undersigned:

(i) Is a "Qualified Noteholder" (as defined in Section 8 of the 90-Day Demand Promissory Note Terms and Conditions);(ii) Agrees to the 90-Day Demand Promissory Note Terms and Conditions on the reverse side;(iii) Has received and has had the opportunity to read the current Offering Circular of the Southwestern Union Revolving Fund (the "Issuer") for the Notes; and (iv) Acknowledges that this Subscription Agreement for Notes is subject to acceptance by the Issuer and is not accepted unless and until an "Account Statement" is issued by the Issuer.

**TRUST ACCOUNT.** The parties named as trustees to the Note account own the Note account in proportion to the number of trustees of the Note account. A trustee may withdraw funds from the Note account. A beneficiary may not withdraw funds from the Note account before all trustees are deceased. On the death of the last surviving trustee, the ownership of the Note account passes to the beneficiary. The trust account is not a part of a trustee's estate and does not pass under the trustee's will or by intestacy, unless the trustee survives all of the beneficiaries and all other trustees.

Enter the name or names of the Trust and Trustees:

Enter the name and address of the beneficiaries:

**Church/Institution Account.** Churches or Institutions of the Denomination must be in the Territory.

Print Church Name: \_\_\_\_\_

## ACKNOWLEDGMENT:

### Interest on the Notes should be (pick one):

- ☐ Reinvested in Notes  
☐ Paid to the Noteholder(s)

### SIGNATURE [Trust]:

\_\_\_\_\_  
(Print Name of Trust)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(Tax ID Number)

By:

**[ x ]** \_\_\_\_\_

Print Trustee Name: \_\_\_\_\_

(Churches/Institutions must provide 2 signatories)

By:

**[ x ]** \_\_\_\_\_

Print Trustee Name: \_\_\_\_\_

### SIGNATURE [Church/Institution]:

(We will only recognize current and successor Treasurers and Associate Treasurers as signatories for Church/Institution accounts, unless otherwise directed)

\_\_\_\_\_  
(Print Name of Church/Institution)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(Tax ID Number)

By:

**[ x ]** \_\_\_\_\_

Title: \_\_\_\_\_

(Churches/Institutions must provide 2 signatories)

By:

**[ x ]** \_\_\_\_\_

Title: \_\_\_\_\_

(Churches/Institutions must provide 2 signatories)

**Investment Intent Letter**

**Representations, Warranties and Covenants of the Subscriber.** In order to induce SWURF to accept the Subscriber's subscription in the Notes, the Subscriber hereby represents and warrants to, and covenants with, SWURF as follows:

(a) The Subscriber has been given access to full and complete information regarding SWURF (including SWURF's then-current Offering Circular for the Notes) and has utilized such access to the Subscriber's satisfaction for the purpose of obtaining such information regarding SWURF as the Subscriber has reasonably requested; and, particularly, the Subscriber has been given reasonable opportunity to ask questions of, and receive answers from, representatives of SWURF concerning the terms and conditions of the offering of the Notes and to obtain any additional information, to the extent reasonably available.

(b) The Subscriber acknowledges and agrees that, except as set forth herein, no representations or warranties have been made to the Subscriber by SWURF, any selling agent of SWURF, or any agent, employee, or affiliate of SWURF or such selling agent.

(c) The Subscriber believes that an investment in the Notes is suitable for the Subscriber based upon the Subscriber's investment objectives and financial needs. The Subscriber: (i) has adequate means for providing for the Subscriber's current financial needs and personal contingencies; (ii) has no need for liquidity in this investment; (iii) at the present time, can afford a complete loss of such investment; and (iv) does not have an overall commitment to investments which are not readily marketable that is disproportionate to the Subscriber's net worth, and the Subscriber's investment in the Notes will not cause such overall commitment to become excessive.

(d) The Subscriber, in reaching a decision to subscribe, has such knowledge and experience in financial and business matters that the Subscriber is capable of reading and interpreting financial statements, evaluating the merits and risk of an investment in the Notes and has the net worth to undertake such risks. The Subscriber's investment in the Notes does not (and will not at any time) exceed ten (10) percent of Subscriber's net worth (net worth excludes home, furnishings, and automobiles).

(e) The Subscriber has not used any broker or finder in connection with the transaction contemplated hereby, and the Subscriber shall have no liability as a result of or in connection with any brokerage or finder's fee or other commission of any person or entity retained by the Subscriber in connection with the transactions contemplated by this subscription.

(f) The Subscriber was not offered or sold the Notes, directly or indirectly, by means of any form of general advertising or general solicitation, including, but not limited to, the following: (i) any advertisement, article, notice or other communication published in any newspaper, magazine, or similar medium of or broadcast over television or radio; or (ii) any seminar or meeting whose attendees had been invited by any general solicitation or general advertising.

(g) The Subscriber does not desire to utilize the services of any other person, or has obtained, to the extent the Subscriber deems necessary, the Subscriber's own personal professional advice, in connection with evaluating the risks inherent in the investment in the Notes and the suitability of an investment in the Notes in light of the Subscriber's financial condition and investment needs.

(h) The information provided by the Subscriber in this letter and the Subscription Agreement is true, complete and correct as of the date hereof; the Subscriber consents to the disclosure of any such information, and any other information furnished to SWURF, to any governmental authority, self-regulatory organization, or, to the extent required by law, to any other person.

(i) The Subscriber realizes that: (i) the purchase of the Notes is a 90 day demand investment; (ii) the Subscriber must bear the economic risk of investment for an indefinite period of time because the Notes have not been registered under any federal or state securities laws, and therefore, the Notes cannot be resold unless they are subsequently registered under applicable laws, or exemptions from such registrations are available; (iii) there is presently no public market for the Notes and the Subscriber may be unable to liquidate the Subscriber's investment in the event of an emergency, or pledge the Notes as collateral for a loan; and (iv) the Notes may not be resold or transferred and because the Notes are uncertificated securities subject to Article 8 of the Uniform Commercial Code as adopted in Texas, SWURF will not accept any transfer of Notes.

(j) The Notes are being purchased for the Subscriber's own account and for investment purposes only, and without the intention of reselling or redistributing the same. The Subscriber has made no agreement with others regarding any of the Notes.

Subscriber Signature:	Print Subscriber Name:	Date:

## 90-DAY DEMAND NOTE TERMS AND CONDITIONS

This statement serves as a record of your ("you" or "Noteholder") holdings of 90-Day Demand Promissory Notes (the "Notes") issued by the Southwestern Union Revolving Fund (the "Issuer," also referred to as "we," "us," "our," or similar terms), a fund of the Southwestern Union Conference Corporation of Seventh-day Adventists, an Oklahoma nonprofit corporation, as of the date of this statement. You may purchase additional Notes to be represented by this account number by sending in our approved form, accompanied by the purchase price of such Notes. Except as described herein, there are no other liens, restrictions of the Issuer or adverse claims as referred to in Section 8-408 of the Uniform Commercial Code. The following are the terms and conditions of the Notes:

1. Offering Circular. Reference is made to the current Offering Circular of the Issuer for a description of the Issuer, the Notes, and certain risk factors related to purchases of the Notes. You represent that you have received and read a copy of the current Offering Circular of the Issuer for the Notes.

2. Term. Each Note will be paid in whole or in part at the option of the registered holder of the Note (the "Noteholder") upon written notice to the Issuer. Upon receipt of such demand, the Issuer will pay to the Noteholder, as soon as practicable but in any event no later than 90 days after receipt of such demand, an amount equal to the principal amount of the Notes for which payment is requested, plus the accrued interest on such principal (except as provided in Section 4).

3. Interest Rate. Prior to payment or redemption by the Issuer, the principal amount of the Notes will bear interest at a rate per annum determined from time to time by the Issuer, in its discretion. Each change in the interest rate (if and when made) will take effect as of the next first day of the month, after at least 30 days written notice, which notice may be provided in writing (including by Email or other electronic transmission) or which may be provided by posting the interest rate on the then-current website of the Southwestern Union Revolving Fund. Interest will be calculated for the actual number of days elapsed on the basis of a year consisting of 365 days.

4. Interest Payments. Interest on the Notes will be payable on March 31, June 30, September 30 and December 31 of each year. Unless a Noteholder specifically requests in writing that the Issuer retain interest and apply such interest to purchase additional Notes, and the Issuer in its discretion permits such purchase, interest payable will be sent by check (or otherwise as determined by the Issuer) to the Noteholder. Any such request by a Noteholder received after a Note is purchased will be effective as of the next quarterly interest payment date if received at least 10 days before such date. The Issuer maintains computer records referenced by account numbers to keep track of transactions in the Notes; interest will accrue when the Issuer has approved and processed the purchaser's forms and payment. Partial demands for repayment from a particular account will be of principal only; the accrued interest on such paid principal will be paid on the next quarterly interest payment date as provided herein.

5. Optional Redemption/\$500 Minimum/Closure. The Notes are subject to redemption by the Issuer at any time in whole or in part at a redemption price of 100% of the principal amount redeemed, plus interest accrued to the redemption date (the date payment will be sent by the Issuer). Interest will cease to accrue on the Notes or portions thereof that are called for redemption on the date payment is sent to the Noteholder. If at any time fewer than all of the outstanding Notes are to be redeemed, the selection of the Notes to be redeemed, or portions thereof, will be made pro rata or by lot by the Issuer in such manner as the Issuer may determine no more than 60 days before the redemption date. Notes will be redeemed only after written notice from the Issuer to each Noteholder specifying the redemption date and the principal amount of Notes to be redeemed. The notice will be given at least 30 days but not more than 60 days prior to the redemption date. If you do not maintain at least \$500 of Notes, we may redeem your outstanding Notes and close your Note account. Any individual to a multiple-party Note account (or any Trustee when there are multiple Trustees) may close the Note account at any time.

6. Unsecured. Payment of the interest on and principal of the Notes is not secured by any mortgage or other lien on any assets of any Borrower, the Issuer or any affiliates of the Issuer (including but not limited to the Seventh-day Adventist religious denomination (the "denomination") and any of its entities or unincorporated associations). No affiliate of the Issuer or the denomination nor any government agency has guaranteed or insured the payment of interest on or principal of the Notes.

7. Issuer Records. The Notes are issued as uncertificated securities pursuant to Texas law and Article 8 of the Uniform Commercial Code as adopted in Texas. The Notes are documented as to principal amount and identity and address of

Noteholder on records maintained by the Issuer. Payments of interest and principal on a Note will be made at the address of the Noteholder of the Note then on file with the Issuer, until the Issuer receives written notice of a change of address of the Noteholder. The Issuer may treat the Noteholder of the Notes indicated on the records of the Issuer as the sole owner of the Notes and as the person exclusively entitled to receive payments of interest on the Notes, receive notifications with respect to the Notes and otherwise exercise all of the rights and powers as the absolute owner thereof (as determined by the Issuer in accordance with the applicable Subscription Agreement). Notes may not be transferred. Pledges, liens or other security interests in the Notes will not be registered by the Issuer.

8. Qualifications of Noteholders. Noteholders (including Noteholders by assignment pursuant to Section 7) must be (a) persons who reside in Arkansas, Louisiana, New Mexico, Oklahoma or Texas (our "Territory") and who hold membership in a church within the Seventh-day Adventist religious denomination, or (b) denominational entities located within our Territory for themselves or as trustees or administrators of trusts and other fiduciary programs (collectively, "Qualified Noteholders"). Trusts and other fiduciary programs administered by denomination affiliated entities may purchase the Notes in the name of the applicable denomination affiliated entity for the benefit of the specified beneficiaries. Certain trusts, the trustees and beneficiaries of which are members of Seventh-day Adventist churches and who reside in our Territory, also may purchase Notes with our approval. The Issuer reserves the right to permit Noteholders to be residents of or located in jurisdictions other than the foregoing without providing notice as provided in Section 11.

9. No Right to Purchase Additional Notes. The Issuer may, in its sole discretion, reject all or part of any subscription for the purchase of Notes at any time before acceptance of such subscription, including but not limited to additional purchases by a Noteholder. The Issuer may, in its discretion, decline to allow Noteholders to purchase additional Notes if: (a) Noteholders do not continue to reside in the Territory, (b) funds are not needed for Loans and the Issuer determines that increasing the funds in the Issuer is not advantageous, (c) the Issuer's registration or exemption from registration in the states in which it operates does not extend to sales of such additional Notes, or (d) other business considerations dictate that increasing the funds in the Issuer is not advantageous.

10. Additional Debt and Securities. Prior to the payment in full of the Notes, the Issuer may raise funds for operating or Loan activities through the offering of long-term debt having priority over the Notes. In addition, the Issuer may from time to time incur operational or capital debt in the ordinary course of its operations, whether secured or unsecured, which may have priority over the Notes. Any debt or debt securities incurred or issued by the Issuer and secured by its assets having priority over the Notes will not exceed ten percent (10%) of the tangible assets of the Issuer.

11. Change in Terms and Conditions. Except as otherwise provided herein, the Issuer may change any of the terms and conditions governing the Notes by providing written notice of such change to each Noteholder at least 30 days prior to the effective date of the change. Any such change will be reflected in the statements sent to Noteholders after the effective date. If a Noteholder prior to the effective date of a change provides written notice to the Issuer that the change is unacceptable, such notice will be treated as a demand for payment of the Notes held by such Noteholder as provided in Section 2. Any provision of the Notes that is modified by the Issuer or is held prohibited or unenforceable shall not affect the enforceability of any other provisions of the Notes.

12. Governing Law/Venue. The Notes are governed by, construed and enforced in accordance with the internal laws of the State of Texas, excluding principles of conflict of laws. Specifically, Chapter 113 (as it exists today and as hereafter amended) of the Texas Estates Code will govern the ownership of the Notes. The Noteholder waives, to the fullest extent permitted by law, (a) any objection which it may now or later have to the laying of venue of any legal action or proceeding arising out of or relating to the Notes brought in any court of the State of Texas sitting in Johnson County, Texas, and (b) any claim that any action or proceeding brought in any such court has been brought in an inconvenient forum.

13. Indemnification/Offset. The Issuer will be indemnified and will be entitled to offset any Note account (principal and interest) from and against any claim, demand, or allegation, resulting in damages, costs or expenses to the Issuer (including the Issuer's attorney's fees, costs, expenses) relating to the ownership of the Note account (e.g., alleged beneficiaries, multiple account holders). The Issuer's records will determine all ownership claims relating to Note accounts.

**THIS STATEMENT IS MERELY A RECORD OF THE RIGHTS OF THE ADDRESSEE AS OF THE TIME OF ITS ISSUANCE. DELIVERY OF THIS STATEMENT, OF ITSELF, CONFERS NO RIGHTS ON THE RECIPIENT. THIS STATEMENT IS NEITHER A NEGOTIABLE INSTRUMENT NOR A SECURITY.**

**THE NOTES ARE ISSUED AS UNCERTIFICATED SECURITIES PURSUANT TO TEXAS LAW AND ARTICLE 8 OF THE UNIFORM COMMERCIAL CODE. NOTES MAY NOT BE TRANSFERRED.**

[Version 11/22]

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