UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC. DBA: UNITED PENTECOSTAL CHURCH LOAN FUND

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018, 2017, AND 2016

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Pentecostal Church Development Fund, Inc.
dba: United Pentecostal Church Loan Fund
St. Louis, Missouri

We have audited the accompanying financial statements of United Pentecostal Church Development Fund, Inc. dba: United Pentecostal Church Loan Fund (the Fund) which comprise the statements of financial position as of June 30, 2018, 2017, and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Pentecostal Church Development Fund, Inc. dba: United Pentecostal Church Loan Fund as of June 30, 2018, 2017, and 2016, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
August 20, 2018

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.
DBA: UNITED PENTECOSTAL CHURCH LOAN FUND
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018, 2017, AND 2016

	June 30,		
	2018	2017	2016
ASSETS:			
Cash	$ 4,195,084	$ 5,270,795	$ 7,734,785
Accrued interest receivable	171,641	142,581	92,754
Prepaid expenses	16,469	10,656	10,427
Investments	1,882,278	1,745,280	-
Loans receivable, net	38,757,010	30,950,753	21,729,851
	$ 45,022,482	$ 38,120,065	$ 29,567,817
LIABILITIES AND NET ASSETS:			
Liabilities:			
Accounts payable	$ 3,550	$ 37,500	$ -
Investment certificates	42,718,709	36,163,773	28,088,883
	42,722,259	36,201,273	28,088,883
Net assets:			
Unrestricted	2,300,223	1,918,792	1,478,934
	2,300,223	1,918,792	1,478,934
	$ 45,022,482	$ 38,120,065	$ 29,567,817

See accompanying Notes to Financial Statements.

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.
DBA: UNITED PENTECOSTAL CHURCH LOAN FUND
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018, 2017, AND 2016

	June 30, 2018	June 30, 2017	June 30, 2016
CHANGES IN UNRESTRICTED NET ASSETS:			
Interest and fees on loans receivable	$ 2,118,583	$ 1,707,761	$ 1,093,933
Interest and dividends on cash and investments	30,913	19,526	6,315
Total interest and dividend income	2,149,496	1,727,287	1,100,248
Less interest expense on investment certificates	(1,218,470)	(1,096,167)	(767,525)
Net interest income	931,026	631,120	332,723
Other operating income and expenses:			
Contributions	215,000	175,300	350,100
Net unrealized losses on investments	(12,170)	(3,564)	-
Provision for doubtful loans	(122,573)	(56,665)	(37,417)
Management fee	(449,348)	(150,000)	-
Professional services	(180,504)	(156,333)	(128,589)
	(549,595)	(191,262)	184,094
Change in Unrestricted Net Assets	381,431	439,858	516,817
Net Assets, Beginning of Year	1,918,792	1,478,934	962,117
Net Assets, End of Year	$ 2,300,223	$ 1,918,792	$ 1,478,934

See accompanying Notes to Financial Statements.

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.
DBA: UNITED PENTECOSTAL CHURCH LOAN FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018, 2017, AND 2016

	June 30,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from loan interest and fees	$ 2,030,460	$ 1,657,934	$ 1,068,893
Contributions and miscellaneous income received	245,913	194,826	356,415
Cash paid to vendors and the UPCI	(669,615)	(269,062)	(132,654)
Interest paid to investors	(217,332)	(213,773)	(150,139)
Net Cash Provided by Operating Activities	1,389,426	1,369,925	1,142,515
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(149,168)	(1,748,844)	-
Principal payments received on loans	4,665,476	5,302,728	4,657,131
Loans made	(12,535,243)	(14,580,295)	(11,094,957)
Net Cash Used by Investing Activities	(8,018,935)	(11,026,411)	(6,437,826)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds received from issuance of investment certificates	9,821,492	9,472,453	11,326,554
Payments made to redeem investment certificates	(4,267,694)	(2,279,957)	(1,970,735)
Net Cash Provided by Financing Activities	5,553,798	7,192,496	9,355,819
Change in Cash	(1,075,711)	(2,463,990)	4,060,508
Cash, Beginning of Year	5,270,795	7,734,785	3,674,277
Cash, End of Year	$ 4,195,084	$ 5,270,795	$ 7,734,785
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Change in unrestricted net assets	$ 381,431	$ 439,858	$ 516,817
Adjustments:			
Net unrealized losses on investments	12,170	3,564	-
Provision for doubtful loans	122,573	56,665	37,417
Capitalized loan interest	(59,063)	-	-
Reinvested interest on investment certificates	1,001,138	882,394	617,386
Change in:			
Accrued interest receivable	(29,060)	(49,827)	(25,040)
Prepaid expenses	(5,813)	(229)	(3,405)
Funds held for others	-	-	(660)
Accounts payable	(33,950)	37,500	-
Net Cash Provided by Operating Activities	$ 1,389,426	$ 1,369,925	$ 1,142,515
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Matured investment certificates reinvested	$ 8,746,773	$ 9,068,664	$ 5,721,720

1. NATURE OF ORGANIZATION:

The United Pentecostal Church Development Fund, Inc. d/b/a United Pentecostal Church Loan Fund (the Fund) was incorporated as a public benefit corporation under the Missouri Nonprofit Corporation Act on March 7, 2011. The Fund is engaged in operating a loan fund to assist the churches, ministries, colleges, agencies, districts, missions and charitable funds sponsored by and affiliated with the United Pentecostal Church International (UPCI).

The Fund offers investment certificates to raise capital in order to finance the acquisition, development, construction, refinancing, expansion or renovations of buildings and facilities of affiliated organizations of the UPCI. The Fund's primary means of obtaining funds has been through the issuance of investment certificates and through interest earned on loans and loan participations.

The Fund is governed by a Board of Directors appointed by the Board of General Presbyters of UPCI. The Fund pays a management fee to the UPCI for personnel, office and occupancy related expenses. The UPCI's combined financial statements include the accompanying Fund financial statements. The Fund is exempt from federal and state income taxes under the provisions of the Internal Revenue Code Section (IRC) 501(c)(3) and applicable state statutes and is not a private foundation under IRC Section 509(a)(1).

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The financial statements of the Fund have been prepared using the accrual basis of accounting, which gives recognition to income and related assets when earned and expenses and related liabilities when incurred. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The significant accounting policies followed are described below.

CASH POLICY

Cash consists of a checking and savings account. The Fund's cash balance is maintained with one financial institution. Cash may, at times, exceed federally insured limits. As of June 30, 2018, 2017, and 2016, the Fund’s cash balances exceeded federally insured limits by $3,945,084, $5,020,795, and $7,484,785, respectively. The Fund has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

INVESTMENTS

Investments consist of certificate of deposits. The investments are reported at fair value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

LOANS RECEIVABLE, LOAN PARTICIPATIONS AND ALLOWANCE FOR DOUBTFUL LOANS

Loans receivable are stated at their principal amount outstanding less the related allowance for doubtful loans and are generally collateralized by buildings and land. Generally, interest rates on loans are subject to review and adjustment every twelve months, three years or five years. Loans are typically amortized over a period of twenty-five years.

The Fund charges loan origination and loan refinancing fees of 1% to 2.5% of the loan amount. The Fund analyzes fees received in relation to direct expenses for underwriting new loans. Loan fees charged by the Fund approximate actual costs incurred for loan processing. Accordingly, such fees are recognized on the statements of activities as a component of interest income in the year of loan origination.

The Fund has purchased loan participations originated by American Christian Credit Union (ACCU). All of the loan participations were purchased without recourse and are secured by real property. Loan servicing functions on these loans are retained by ACCU.

The allowance for doubtful loans is maintained at a level that, in management's judgment, is adequate to absorb probable loan losses. The amount is based upon an analysis of the loan portfolio by management including, but not limited to, review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This process is based on estimates and ultimate losses may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for potential loan losses in the period in which they become known. In addition, the net realizable value of property serving as collateral for delinquent loans will be assessed on an annual basis. Due to the nature of the relationship with its borrowers, the Fund is willing to make accommodations with borrowers whose payments are not current, so long as such accommodations do not jeopardize the interests of the Fund's investors.

A loan is considered impaired when, based upon current information and events, it is probable that the Fund will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans are classified as delinquent when payments are 90 days overdue. Loans will continue to accrue interest when a loan is delinquent; however, all accrued interest may be included in the allowance for doubtful loans. Payments for delinquent or impaired loans are treated as a payment of interest due until all accrued interest has been paid. Interest income on delinquent loans is recognized according to the original amortization schedule (accrual method). The accrual of interest income is discontinued when, in management's judgment, the scheduled interest may not be collectible within the stated term of the loan. Interest income is recognized on a cash basis for loans classified as nonaccrual loans, with subsequent payments applied first to interest and fees, if any, and then to principal. Loans classified as nonaccrual loans are returned to accrual status when all the principal and interest

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

The financial statements report amounts by classification of net assets. Unrestricted amounts are those currently available at the discretion of the Board for use in the organization's operations and those designated by the Board for specific purposes. At June 30, 2018, 2017, and 2016, the Fund had no permanently or temporarily restricted net assets.

3. LOANS RECEIVABLE, NET:

Loans receivable are summarized as follows:

	June 30,		
	2018	2017	2016
Less than 5.50%	$ 3,402,914	$ 2,160,002	$ 3,001,746
5.50% - 6.00%	28,077,826	20,891,121	11,197,668
6.05% - 6.45%	4,963,064	5,077,523	5,303,240
6.50% - 7.00%	2,277,159	2,631,835	1,908,737
7.05% - 8.45%	345,445	377,097	448,620
	39,066,408	31,137,578	21,860,011
Allowance for doubtful loans	(309,398)	(186,825)	(130,160)
	$ 38,757,010	$ 30,950,753	$ 21,729,851
Average interest rate of loans	5.78%	5.84%	5.87%

An analysis of the allowance for doubtful loans is as follows:

	June 30,		
	2018	2017	2016
Balance, beginning of year	$ 186,825	$ 130,160	$ 92,743
Provision for doubtful loans	122,573	56,665	37,417
Balance, end of year	$ 309,398	$ 186,825	$ 130,160

3. LOANS RECEIVABLE, NET, continued:

The Fund evaluates loans for impairment on an individual basis if the loan is more than 90 days delinquent. These loans are then given a specific allowance based on the estimated net realizable value of property serving as collateral. All other loans are evaluated for a loan allowance on a collective basis. At June 30, 2018, loans receivable totaling $168,827 with allowances in the amount of $75,386 were evaluated individually for impairment. All other loans were collectively evaluated and no impairment was noted. At June 30, 2017 and 2016, there were no loans individually evaluated for impairment; all loans were collectively evaluated and no impairment was noted.

The following table presents credit exposure by performance status for the years ended June 30, 2018, 2017, and 2016. Status for performing and nonperforming real estate loans is based on payment activity for the year. Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered to be nonperforming when days past due is greater than 90 days in the previous month.

Performance status as of June 30, 2018:

	Loan Participations	Direct Loans	Total
Performing	$ 2,011,876	$ 36,885,705	$ 38,897,581
Nonperforming	168,827	-	168,827
	$ 2,180,703	$ 36,885,705	$ 39,066,408

Performance status as of June 30, 2017:

	Loan Participations	Direct Loans	Total
Performing	$ 2,325,239	$ 28,812,339	$ 31,137,578
Nonperforming	-	-	-
	$ 2,325,239	$ 28,812,339	$ 31,137,578

Performance status as of June 30, 2016:

	Loan Participations	Direct Loans	Total
Performing	$ 3,521,256	$ 18,338,755	$ 21,860,011
Nonperforming	-	-	-
	$ 3,521,256	$ 18,338,755	$ 21,860,011

3. LOANS RECEIVABLE, NET, continued:

At June 30, 2018, there was one loan with a balance of $168,827 classified as delinquent and impaired. Included in the allowance for loan losses was $75,386 that was attributed to this impaired loan. Interest income is recognized on the cash basis for this loan. At June 30, 2017 and 2016, there were no past due loans or loans classified as impaired or delinquent.

The Fund analyzes all debt restructuring for any that are considered to be troubled debt restructurings. During the year ended June 30, 2018, one of the loan participations had a troubled debt restructuring. Based on the Forbearance Agreement, the loan's interest rate was reduced and the borrower will make interest only payments for eighteen months, resulting in a net decrease in interest for the year ended June 30, 2018 of approximately $4,800. In addition, the borrower is to list the property for sale.

Loans at June 30, 2018, are estimated to mature as follows:

2019	$ 54,948
2020	2,563,875
2021	1,686,390
2022	645,191
2023	975,839
Thereafter	33,140,165
	$ 39,066,408

The Fund had a total of 115 loans and loan participations at June 30, 2018. Although the Fund has no geographic restrictions on where the loans are made other than where member churches are located, aggregate loans in excess of five percent of total balances are concentrated in the following states:

State	Number	Amount	Percentage of Portfolio
Texas	20	$ 9,536,929	24%
Missouri	7	4,467,325	11%
Indiana	9	2,565,602	7%
Michigan	9	2,111,458	5%
	45	$ 18,681,314	47%

3. LOANS RECEIVABLE, NET, continued:

Loans receivable as of June 30, 2018, are distributed by size of loan as follows:

Balance	Number	Average Balance	Total Balance	Percentage of Portfolio
Less than $150,000	35	$ 81,124	$ 2,839,334	7%
$ 150,000 - 299,999	35	219,071	7,667,473	20%
$ 300,000 - 749,999	35	445,779	15,602,257	40%
$ 750,000 or more	10	1,295,734	12,957,344	33%
	115		$ 39,066,408	100%

Although the Fund has a geographically diverse portfolio of loans to member organizations, concentrations of credit risk exist with respect to the amount of delinquent loans and with respect to individually significant loans, which are defined as those exceeding five percent of the total loan portfolio. At June 30, 2018, 2017, and 2016, these individually significant loans totaled $6,672,398, $7,901,399, and $4,343,980, respectively.

4. INVESTMENT CERTIFICATES:

At June 30, 2018, the Fund was indebted on certificates as summarized below:

Type	Term	IRA	Total Certificates
Demand	$ 31,027	$ -	$ 31,027
One year	7,901,131	216,069	8,117,200
Three year	9,877,396	117,585	9,994,981
Five year	19,294,643	5,280,858	24,575,501
	$ 37,104,197	$ 5,614,512	$ 42,718,709

At June 30, 2017, the Fund was indebted on certificates as summarized below:

Type	Term	IRA	Total Certificates
One year	$ 6,681,520	$ 198,866	$ 6,880,386
Three year	7,285,716	430,342	7,716,058
Five year	16,876,470	4,690,859	21,567,329
	$ 30,843,706	$ 5,320,067	$ 36,163,773

4. INVESTMENT CERTIFICATES, continued:

At June 30, 2016, the Fund was indebted on certificates as summarized below:

Type	Term	IRA	Total Certificates
One year	$ 6,594,702	$ 43,003	$ 6,637,705
Three year	5,316,873	441,445	5,758,318
Five year	9,886,871	5,805,989	15,692,860
	$ 21,798,446	$ 6,290,437	$ 28,088,883

Investment certificates, which bear interest at rates of 1.15% to 4%, mature as follows:

Year of Maturity	Total Certificates
2019	$ 14,733,539
2020	5,659,578
2021	10,383,016
2022	8,140,012
2023	3,802,564
	$ 42,718,709

Approximately 47% of all outstanding investment certificates are concentrated in four states as follows:

State	Number	Amount	Percentage of Portfolio
Missouri (including related parties, Note 5)	80	$ 7,074,973	17%
Texas	76	5,809,172	14%
Louisiana	62	3,927,333	9%
California	21	3,125,397	7%
	239	$ 19,936,875	47%

4. INVESTMENT CERTIFICATES, continued:

Large investors, who are defined as customers with certificate balances of $100,000 or more, are as follows:

Investor Size	Number of Investors	Total Balance	Percentage of Portfolio
Related party (Note 5)	1	$ 5,073,283	12%
Greater than $500,000	14	11,993,186	28%
$200,001-500,000	29	8,648,896	20%
$100,000-200,000	59	7,679,922	18%
	103	$ 33,395,287	78%

5. RELATED PARTY TRANSACTIONS:

The Fund has engaged the UPCI to provide day to day oversight and management of the Fund. In return for these services, the Fund paid the UPCI $150,000 during the years ended June 30, 2018 and 2017. This fee was waived for the year ended June 30, 2016. In addition, the Fund pays a variable fee of 75 basis points to the UPCI of the average assets invested in the Fund. These fees were $299,348 for the year ended June 30, 2018. These fees were waived for the years ended June 30, 2017 and 2016.

In addition, investment certificates have been issued to the UPCI and its related affiliates. Certificate balances and interest paid to the UPCI and its related affiliates are as follows:

	June 30, 2018	2017	2016
UPCI:			
Investment certificates	$ 5,073,283	$ 3,877,752	$ 3,471,126
Interest paid	$ 122,850	$ 111,675	$ 98,415
Loans receivable	$ -	$ 3,502,383	$ 2,032,653
The United Pentecostal Foundation			
Investment certificates	$ 29,486	$ 28,841	$ 28,131
Interest paid	$ 645	$ 710	$ 583
Urshan Collegiate Supporting Organization			
Loans receivable	$ 3,142,350	$ 2,935,636	$ 2,867,327

During the years ended June 30, 2018, 2017, and 2016, the Fund received unrestricted contributions of $215,000, $175,000, and $350,000, respectively, from the UPCI.

6. LINES OF CREDIT:

The Fund has a short-term line of credit from the UPCI and may borrow amounts up to $1,000,000 at a variable interest rate at June 30, 2018 and 2017, which was increased from $700,000 at June 30, 2016. At June 30, 2016, the Fund had a short-term line of credit from ACCU and may borrow up to $200,000. The ACCU line of credit was terminated during year ended June 30, 2017. At June 30, 2018, 2017, and 2016, the Fund had no outstanding balances on these line of credits.

7. COMMITMENTS:

In the normal course of business, the Fund makes commitments to extend loans to meet the financing needs of member churches. Outstanding commitments are letters that outline the terms and conditions of the loan to be granted. The commitments represent expected disbursements based on estimated construction costs and may vary based on actual costs of construction. The Fund's exposure to credit loss, in the event of nonperformance by the churches to which it has extended commitments, is limited to the amount of the commitment. The Fund controls the credit risk of its commitments through credit approvals, limits and monitoring procedures. At June 30, 2018, 2017, and 2016, the Fund had extended loan commitments of approximately $4,722,000, $2,034,000, and 9,432,000, respectively.

8. LIQUIDITY AND UNSECURED LOAN POLICY:

The Fund has a liquidity and unsecured loan policy that requires the Fund to maintain minimum liquid assets equal to at least 8% of its outstanding loan certificates payable at the end of each fiscal year. The Fund also has a policy that restricts the Fund from making unsecured loans in excess of 5% of the aggregate balance of the Fund. The Fund was in compliance with these policies at June 30, 2018, 2017, and 2016.

9. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Fund to concentrations of credit risk consist principally of cash and loans receivable. At June 30, 2018, all of the Fund's cash was held with one financial institution. The Fund has not experienced any losses on these accounts and does not believe it is exposed to any significant risk of loss related to these holdings.

Concentrations of credit risk with respect to loans receivable are limited by the secured position of the Fund in most instruments, the number of organizations comprising the Fund's loans receivable base and their dispersion across geographic areas, and the Fund's general policy of limiting the maximum loan amount to any one borrower to the greater of $2,000,000 or 5% of total assets. However, the Fund may make exceptions to this policy upon such determinations as the borrower's exceptionally strong financial position and growth potential. At June 30, 2018, the Fund had two borrowers with loans totaling $5,462,350, which represents 14% of loans receivable. Loans made by the Fund are typically secured by first mortgages and are normally limited to 75% of the aggregate cost or value of the property securing the loan. There were no unsecured loans as of June 30, 2018. While the Fund may be exposed to credit losses in the event of nonperformance by the above contracting parties, management has established an allowance for potential loan losses, which it believes is adequate to cover any such losses.

The Fund also has a concentration of loan participations with American Christian Credit Union. Adverse developments affecting the credit union could increase credit risk associated with the loan portfolio.

A substantial portion of the investment certificates issued by the Fund will be maturing within the next two years. The Fund has insufficient liquid assets to satisfy repayment of this amount. Management anticipates that a substantial portion of these certificates will be reinvested or rolled over into new certificates with the Fund.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through August 20, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.