

**UNITED PENTECOSTAL CHURCH  
DEVELOPMENT FUND, INC.  
D/B/A UNITED PENTECOSTAL  
CHURCH LOAN FUND**

**FINANCIAL STATEMENTS**

**June 30, 2014 and 2013**

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.  
d/b/a UNITED PENTECOSTAL CHURCH LOAN FUND

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
United Pentecostal Church Development Fund, Inc.  
d/b/a United Pentecostal Church Loan Fund  
St. Louis, Missouri

We have audited the accompanying financial statements of United Pentecostal Church Development Fund, Inc. d/b/a United Pentecostal Church Loan Fund (the Fund) which comprise the statements of financial position as of June 30, 2014 and 2013, 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.

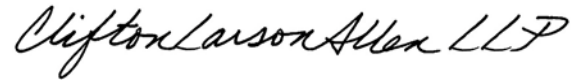
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

Board of Directors  
United Pentecostal Church Development Fund, Inc.  
d/b/a United Pentecostal Church Loan Fund

***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. d/b/a United Pentecostal Church Loan Fund as of June 30, 2014 and 2013, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

St. Louis, Missouri  
August 19, 2014

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.  
d/b/a UNITED PENTECOSTAL CHURCH LOAN FUND  
Statements of Financial Position

	June 30,	
	2014	2013
<b>ASSETS:</b>		
Cash	\$ 2,449,264	\$ 1,444,813
Cash in escrow	159,570	-
Accrued interest receivable	39,853	25,135
Prepaid expenses	8,636	-
Loans receivable, net	11,684,866	7,632,644
	\$ 14,342,189	\$ 9,102,592
<b>LIABILITIES AND NET ASSETS:</b>		
Accounts payable	\$ 2,000	\$ 18,956
Funds held for others	165,556	-
Investment certificates	13,437,744	8,700,276
	13,605,300	8,719,232
<b>Net assets:</b>		
Unrestricted	736,889	383,360
	736,889	383,360
	\$ 14,342,189	\$ 9,102,592

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.  
d/b/a UNITED PENTECOSTAL CHURCH LOAN FUND  
Statements of Activities

	June 30,	
	2014	2013
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>		
Interest and fees on loans receivable	\$ 635,758	\$ 383,502
Interest on cash accounts	1,890	1,028
Total interest and dividend income	637,648	384,530
 Less interest expense on investment certificates	 (384,474)	 (239,110)
 Net interest income	 253,174	 145,420
 Other operating income and expenses:		
Contributions	265,000	200,000
Provision for doubtful loans	(14,658)	(49,009)
Management fee	(37,500)	(103,006)
Professional services	(112,487)	(76,605)
	100,355	(28,620)
 Change in Unrestricted Net Assets	 353,529	 116,800
 Net Assets, Beginning of Year	 383,360	 266,560
 Net Assets, End of Year	 \$ 736,889	 \$ 383,360

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.  
d/b/a UNITED PENTECOSTAL CHURCH LOAN FUND  
Statements of Cash Flows

	June 30,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from loan interest	\$ 621,040	\$ 368,455
Contributions and miscellaneous income received	266,890	201,028
Cash paid to vendors and the UPCI	(169,593)	(160,989)
Interest paid to investors	(74,462)	(48,880)
Net Cash Provided by Operating Activities	643,875	359,614
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Principal payments received on loans	2,136,692	130,178
Loans made	(6,203,572)	(4,108,513)
Net Cash Used by Investing Activities	(4,066,880)	(3,978,335)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds received from issuance of investment certificates	4,833,628	4,680,173
Payments made to redeem investment certificates	(406,172)	(543,617)
Net Cash Provided by Financing Activities	4,427,456	4,136,556
Change in Cash	1,004,451	517,835
Cash, Beginning of Year	1,444,813	926,978
Cash, End of Year	\$ 2,449,264	\$ 1,444,813
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Change in unrestricted net assets	\$ 353,529	\$ 116,800
Adjustments:		
Provision for doubtful loans	14,658	49,009
Reinvested interest on investment certificates	310,012	190,230
Change in:		
Cash held in escrow	(159,570)	-
Accrued interest receivable	(14,718)	(15,047)
Prepaid expenses	(8,636)	-
Funds held for others	165,556	-
Accounts payable	(16,956)	18,622
Net Cash Provided by Operating Activities	\$ 643,875	\$ 359,614
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Matured investment certificates reinvested	\$ 2,425,779	\$ 1,430,593

# UNITED PENTECOSTAL CHURCH LOAN DEVELOPMENT FUND, INC.

## d/b/a UNITED PENTECOSTAL CHURCH LOAN FUND

### Notes to Financial Statements

June 30, 2014 and 2013

#### 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 nominated by the United Pentecostal Foundation's Board of Directors, but subject to approval and appointment by the UPCI. The Fund pays a management fee to the UPCI for personnel, office and occupancy related expenses. The UPCI's consolidated 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. 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.

The Fund had \$159,570 in escrow at its title company related to remaining issuance of loan proceeds for a specific loan to be disbursed upon request of the borrower.



UNITED PENTECOSTAL CHURCH LOAN DEVELOPMENT FUND, INC.

d/b/a UNITED PENTECOSTAL CHURCH LOAN FUND

Notes to Financial Statements

June 30, 2014 and 2013

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 thirty 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 amounts contractually due are brought current and future payments are reasonably assured.

UNITED PENTECOSTAL CHURCH LOAN DEVELOPMENT FUND, INC.  
d/b/a UNITED PENTECOSTAL CHURCH LOAN FUND

Notes to Financial Statements

June 30, 2014 and 2013

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, 2014 and 2013, the Fund had no permanently or temporarily restricted net assets.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of June 30, 2014 and 2013, the Fund had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

3. LOANS RECEIVABLE, NET:

Loans receivable are summarized as follows:

	June 30,	
	2014	2013
Less than 5.50%	\$ 3,762,111	\$ 1,006,642
5.50% - 6.00%	3,209,864	2,735,395
6.15% - 6.45%	1,312,965	1,500,108
6.50% - 7.00%	2,316,435	1,510,968
7.05% - 7.50%	1,154,078	935,460
	11,755,453	7,688,573
Allowance for doubtful loans	(70,587)	(55,929)
	\$ 11,684,866	\$ 7,632,644
 Average interest rate of loans	 5.88%	 6.07%

UNITED PENTECOSTAL CHURCH LOAN DEVELOPMENT FUND, INC.  
d/b/a UNITED PENTECOSTAL CHURCH LOAN FUND

Notes to Financial Statements

June 30, 2014 and 2013

3. LOANS RECEIVABLE, NET, continued:

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

	June 30,	
	2014	2013
Balance, beginning of year	\$ 55,929	\$ 6,920
Provision for doubtful loans	14,658	49,009
Balance, end of year	\$ 70,587	\$ 55,929

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, 2014 and 2013, 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, 2014 and 2013. 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, 2014:

	<u>Loan Participations</u>	<u>Direct Loans</u>	<u>Total</u>
Performing	\$ 5,504,407	\$ 6,251,046	\$ 11,755,453
Nonperforming	-	-	-
	\$ 5,504,407	\$ 6,251,046	\$ 11,755,453

Performance status as of June 30, 2013:

	<u>Loan Participations</u>	<u>Direct Loans</u>	<u>Total</u>
Performing	\$ 4,796,899	\$ 2,891,674	\$ 7,688,573
Nonperforming	-	-	-
	\$ 4,796,899	\$ 2,891,674	\$ 7,688,573

At June 30, 2014 and 2013, there was no past due loans or loans classified as impaired or delinquent.

UNITED PENTECOSTAL CHURCH LOAN DEVELOPMENT FUND, INC.  
d/b/a UNITED PENTECOSTAL CHURCH LOAN FUND  
Notes to Financial Statements

June 30, 2014 and 2013

3. LOANS RECEIVABLE, NET, continued:

Loans at June 30, 2014, are estimated to mature as follows:

	2015		\$ 853,152
	2016		908,292
	2017		820,085
	2018		455,719
	2019		394,804
	Thereafter		<u>8,323,401</u>
			<u><u>\$ 11,755,453</u></u>

The Fund had a total of 47 loans and loan participations at June 30, 2014. 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	9	\$ 2,275,842	19%
Missouri	5	2,263,595	19%
California	4	1,510,203	13%
Michigan	6	1,434,411	12%
Indiana	7	904,350	8%
Florida	2	708,758	6%
Maryland	1	600,000	5%
	<u>34</u>	<u>\$ 9,697,159</u>	<u>82%</u>

Loans receivable are distributed by size of loan as follows:

Balance	Number	Average Balance	Total Balance	Percentage of Portfolio
Less than \$150,000	20	\$ 91,076	\$ 1,821,513	17%
\$ 150,000 - 299,999	16	\$ 209,489	3,351,820	29%
\$ 300,000 - 749,999	10	\$ 543,212	5,432,120	25%
\$ 750,000 - 1,150,000	1	\$ 1,150,000	1,150,000	29%
	<u>47</u>		<u>\$ 11,755,453</u>	<u>100%</u>

UNITED PENTECOSTAL CHURCH LOAN DEVELOPMENT FUND, INC.  
d/b/a UNITED PENTECOSTAL CHURCH LOAN FUND

Notes to Financial Statements

June 30, 2014 and 2013

3. LOANS RECEIVABLE, NET, continued:

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, 2014, these individually significant loans totaled \$4,211,009.

4. INVESTMENT CERTIFICATES:

At June 30, 2014, the Fund was indebted on certificates as summarized below:

Type	Term	IRA	Total Certificates
One year	\$ 3,902,383	\$ 83,446	\$ 3,985,829
Three year	3,925,058	128,688	4,053,746
Five year	4,014,139	1,384,030	5,398,169
	\$ 11,841,580	\$ 1,596,164	\$ 13,437,744

At June 30, 2013, the Fund was indebted on certificates as summarized below:

Type	Term	IRA	Total Certificates
One year	\$ 3,013,047	\$ 73,952	\$ 3,086,999
Three year	2,595,152	72,328	2,667,480
Five year	1,994,112	951,685	2,945,797
	\$ 7,602,311	\$ 1,097,965	\$ 8,700,276

Investment certificates, which bear interest at rates of 2.5% to 4.75%, mature as follows:

Year of Maturity	Total Certificates
2015	\$ 5,096,228
2016	1,771,270
2017	3,035,793
2018	1,259,179
2019	2,275,274
	\$ 13,437,744

UNITED PENTECOSTAL CHURCH LOAN DEVELOPMENT FUND, INC.  
d/b/a UNITED PENTECOSTAL CHURCH LOAN FUND

Notes to Financial Statements

June 30, 2014 and 2013

4. INVESTMENT CERTIFICATES, continued:

Approximately 51% of all outstanding investment certificates are concentrated in five states as follows:

<u>State</u>	<u>Number</u>	<u>Amount</u>	<u>Percentage of Portfolio</u>
Missouri (including related parties, Note 5)	30	\$ 2,989,671	22%
Louisiana	22	1,393,749	10%
Arkansas	21	1,004,849	7%
Texas	32	825,267	6%
Ohio	10	850,016	6%
	<u>115</u>	<u>\$ 7,063,552</u>	<u>51%</u>

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

<u>Investor Size</u>	<u>Number of Investors</u>	<u>Total Balance</u>	<u>Percentage of Portfolio</u>
Related party (Note 5)	1	\$ 2,604,665	19%
Greater than \$500,000	2	1,312,010	10%
\$200,001-500,000	6	1,487,329	11%
\$100,000-200,000	26	2,928,725	22%
	<u>35</u>	<u>\$ 8,332,729</u>	<u>62%</u>

**UNITED PENTECOSTAL CHURCH LOAN DEVELOPMENT FUND, INC.**

**d/b/a UNITED PENTECOSTAL CHURCH LOAN FUND**

Notes to Financial Statements

June 30, 2014 and 2013

**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 \$37,500 and \$50,000 during the years ended June 30, 2014 and 2013, respectively. In addition, the Fund pays a variable fee of 50 basis points and 25 basis points to the UPCI and the United Pentecostal Foundation, respectively, of the average assets invested in the Fund. The fees paid during the year ended June 30, 2013, were \$53,006. These fees were waived for the year ended June 30, 2014.

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

	June 30,	
	2014	2013
<b>UPCI:</b>		
Investment certificates	\$ 2,604,665	\$ 1,569,729
Interest paid	\$ 60,982	\$ 26,189
<b>The United Pentecostal Foundation</b>		
Investment certificates	\$ 21,933	\$ 11,561
Interest paid	\$ 550	\$ 344

During the years ended June 30, 2014 and 2013, the Fund received unrestricted contributions of \$265,000 and \$200,000, respectively, from the UPCI.

**6. LINE OF CREDIT:**

The Fund has a short-term line of credit from the UPCI and may borrow amounts up to \$500,000 at a variable interest rate. At June 30, 2014 and 2013, the Fund had no outstanding balance on the line of credit.

**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, 2014, the Fund had extended loan commitments of approximately \$1,477,000.

**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, 2014 and 2013.

UNITED PENTECOSTAL CHURCH LOAN DEVELOPMENT FUND, INC.

d/b/a UNITED PENTECOSTAL CHURCH LOAN FUND

Notes to Financial Statements

June 30, 2014 and 2013

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, 2014, 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, 2014, the Fund had one borrower with loans totaling \$2,055,000. 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, 2014. 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:

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through August 19, 2014, the date the financial statements were available to be issued.