

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021, 2020, AND 2019

**UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.
DBA: UNITED PENTECOSTAL CHURCH LOAN FUND
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YEARS ENDED JUNE 30, 2021, 2020, AND 2019**

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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, 2021, 2020, and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021, 2020, and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
August 27, 2021

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.
DBA: UNITED PENTECOSTAL CHURCH LOAN FUND
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021, 2020, AND 2019

	June 30,		
	2021	2020	2019
ASSETS:			
Cash	\$ 16,296,234	\$ 11,901,383	\$ 9,819,401
Accrued interest receivable	300,784	213,650	200,210
Prepaid expenses	18,640	16,751	15,469
Investments	3,698,624	3,662,324	2,374,952
Loans receivable, net	63,712,540	56,025,274	43,385,381
	<u>\$ 84,026,822</u>	<u>\$ 71,819,382</u>	<u>\$ 55,795,413</u>
LIABILITIES AND NET ASSETS:			
Liabilities:			
Investment certificates	\$ 79,749,585	\$ 67,651,010	\$ 52,967,596
	<u>79,749,585</u>	<u>67,651,010</u>	<u>52,967,596</u>
Net assets:			
Without donor restrictions	4,277,237	4,168,372	2,827,817
	<u>4,277,237</u>	<u>4,168,372</u>	<u>2,827,817</u>
	<u>\$ 84,026,822</u>	<u>\$ 71,819,382</u>	<u>\$ 55,795,413</u>

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, 2021, 2020, AND 2019

	June 30,		
	2021	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Interest and fees on loans receivable	\$ 3,546,826	\$ 2,902,318	\$ 2,472,133
Interest and dividends on cash and investments	129,841	117,693	52,382
Total interest and dividend income	<u>3,676,667</u>	<u>3,020,011</u>	<u>2,524,515</u>
Less interest expense on investment certificates	<u>(2,027,587)</u>	<u>(1,852,241)</u>	<u>(1,411,332)</u>
Net interest income	<u>1,649,080</u>	<u>1,167,770</u>	<u>1,113,183</u>
Other operating income and expenses:			
Contributions	795	1,000,114	50,200
Other income	3,112	-	-
Net unrealized gain (loss) on investments	(47,943)	148,962	73,544
Grants to other organizations	(250,000)	-	-
Provision for doubtful loans	(46,385)	(844)	(27,938)
Management fee	(931,909)	(701,764)	(511,806)
Professional services	<u>(267,885)</u>	<u>(273,683)</u>	<u>(169,589)</u>
	<u>(1,540,215)</u>	<u>172,785</u>	<u>(585,589)</u>
Change in Net Assets Without Donor Restrictions	108,865	1,340,555	527,594
Net Assets, Beginning of Year	<u>4,168,372</u>	<u>2,827,817</u>	<u>2,300,223</u>
Net Assets, End of Year	<u>\$ 4,277,237</u>	<u>\$ 4,168,372</u>	<u>\$ 2,827,817</u>

See accompanying Notes to Financial Statements.

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.
DBA: UNITED PENTECOSTAL CHURCH LOAN FUND
STATEMENTS OF CASH FLOWS
JUNE 30, 2021, 2020, AND 2019

	June 30,		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from loan interest and fees	\$ 3,427,725	\$ 2,822,240	\$ 2,439,470
Contributions and miscellaneous income received	133,748	1,117,807	102,582
Cash paid for grants	(250,000)	-	-
Cash paid to vendors and the UPCI	(1,201,683)	(976,729)	(683,945)
Interest paid to investors	(226,013)	(243,839)	(256,178)
Net Cash Provided by Operating Activities	<u>1,883,777</u>	<u>2,719,479</u>	<u>1,601,929</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(84,243)	(1,138,410)	(419,130)
Principal payments received on loans	3,339,097	2,359,802	5,728,947
Loans made	(11,040,781)	(14,933,901)	(10,381,162)
Net Cash Used by Investing Activities	<u>(7,785,927)</u>	<u>(13,712,509)</u>	<u>(5,071,345)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds received from issuance of investment certificates	21,769,211	19,959,876	15,967,235
Payments made to redeem investment certificates	(11,472,210)	(6,884,864)	(6,873,502)
Net Cash Provided by Financing Activities	<u>10,297,001</u>	<u>13,075,012</u>	<u>9,093,733</u>
Change in Cash	4,394,851	2,081,982	5,624,317
Cash, Beginning of Year	<u>11,901,383</u>	<u>9,819,401</u>	<u>4,195,084</u>
Cash, End of Year	<u>\$ 16,296,234</u>	<u>\$ 11,901,383</u>	<u>\$ 9,819,401</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Change in net assets without donor restrictions	\$ 108,865	\$ 1,340,555	\$ 527,594
Adjustments:			
Net unrealized (gain) loss on investments	47,943	(148,962)	(73,544)
Provision for doubtful loans	46,385	844	27,938
Capitalized loan interest	(31,967)	(66,638)	(4,094)
Reinvested interest on investment certificates	1,801,574	1,608,402	1,155,154
Change in:			
Accrued interest receivable	(87,134)	(13,440)	(28,569)
Prepaid expenses	(1,889)	(1,282)	1,000
Accounts payable	-	-	(3,550)
Net Cash Provided by Operating Activities	<u>\$ 1,883,777</u>	<u>\$ 2,719,479</u>	<u>\$ 1,601,929</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Matured investment certificates reinvested	<u>\$ 20,735,181</u>	<u>\$ 12,480,223</u>	<u>\$ 10,616,073</u>

See accompanying Notes to Financial Statements.

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

Notes to Financial Statements

June 30, 2021, 2020, and 2019

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, 2021, 2020, and 2019, the Fund's cash balances exceeded federally insured limits by \$16,046,234, \$11,651,383, and \$9,569,401, 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.

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.
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Notes to Financial Statements

June 30, 2021, 2020, and 2019

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

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.
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Notes to Financial Statements

June 30, 2021, 2020, and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS AND CONTRIBUTIONS

The financial statements report contribution amounts by classification of net assets. Contributions and net assets without donor restrictions 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. Contributions and net assets with donor restrictions include amounts subject to donor-imposed restrictions that will be met either by actions of the Fund or the passage of time. At June 30, 2021, 2020, and 2019, the Fund had no net assets with donor restrictions. The Fund recognizes contributions when cash, securities or other assets: an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give- that is, those with a measurable performance or other barrier or right of return are not recognized until the conditions on which they depend have been met. As of June 30, 2021, all contributions have been recognized.

3. LOANS RECEIVABLE, NET:

Loans receivable are summarized as follows:

	June 30,		
	2021	2020	2019
Less than 5.50%	\$ 7,150,473	\$ 8,407,372	\$ 1,933,066
5.50% - 6.00%	46,581,752	38,069,428	31,533,316
6.05% - 6.45%	7,842,102	6,074,136	5,517,470
6.50% - 7.00%	2,397,720	3,683,150	4,378,715
7.05% - 8.45%	125,058	129,368	360,150
	64,097,105	56,363,454	43,722,717
Allowance for doubtful loans	(384,565)	(338,180)	(337,336)
	\$ 63,712,540	\$ 56,025,274	\$ 43,385,381
 Average interest rate of loans	 5.73%	 5.68%	 5.85%

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Notes to Financial Statements

June 30, 2021, 2020, and 2019

3. LOANS RECEIVABLE, NET, continued:

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

	June 30,		
	2021	2020	2019
Balance, beginning of year	\$ 338,180	\$ 337,336	\$ 309,398
Provision for doubtful loans	46,385	844	27,938
Balance, end of year	\$ 384,565	\$ 338,180	\$ 337,336

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, 2021 and 2020, there were no loans individually evaluated for impairment; all loans were collectively evaluated and no impairment was noted. At June 30, 2019, 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.

The following table presents credit exposure by performance status for the years ended June 30, 2021, 2020, and 2019. 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, 2021:

	Loan Participations	Direct Loans	Total
Performing	\$ -	\$ 64,097,105	\$ 64,097,105
Nonperforming	-	-	-
	\$ -	\$ 64,097,105	\$ 64,097,105

Performance status as of June 30, 2020:

	Loan Participations	Direct Loans	Total
Performing	\$ -	\$ 56,363,454	\$ 56,363,454
Nonperforming	-	-	-
	\$ -	\$ 56,363,454	\$ 56,363,454

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.
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Notes to Financial Statements

June 30, 2021, 2020, and 2019

3. LOANS RECEIVABLE, NET, continued:

Performance status as of June 30, 2019:

	<u>Loan Participations</u>	<u>Direct Loans</u>	<u>Total</u>
Performing	\$ -	\$ 43,553,890	\$ 43,553,890
Nonperforming	168,827	-	168,827
	\$ 168,827	\$ 43,553,890	\$ 43,722,717

At June 30, 2021 and 2020, there were no past due loans or loans classified as impaired or delinquent. At June 30, 2019, 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 was recognized on the cash basis for this loan. During the year ended June 30, 2020, this loan was refinanced from a loan participation to a direct loan and is no longer considered impaired.

Loans at June 30, 2021, are scheduled to mature as follows:

2022	\$ 1,781,662
2023	35,548
2024	2,338,651
2025	-
2026	497,358
Thereafter	59,443,886
	\$ 64,097,105

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.
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Notes to Financial Statements

June 30, 2021, 2020, and 2019

3. LOANS RECEIVABLE, NET, continued:

The Fund had a total of 169 loans at June 30, 2021. 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	26	13,044,062	20%
Missouri	14	12,808,276	20%
Florida	13	6,455,819	10%
Indiana	13	3,186,086	5%
	<u>66</u>	<u>\$ 35,494,243</u>	<u>55%</u>

Loans receivable as of June 30, 2021, are distributed by size of loan as follows:

Balance	Number	Average Balance	Total Balance	Percentage of Portfolio
Less than \$150,000	60	\$ 80,676	\$ 4,840,564	7%
\$ 150,000 - 299,999	46	\$ 220,372	10,137,090	16%
\$ 300,000 - 749,999	48	\$ 461,930	22,172,659	35%
\$ 750,000 or more	15	\$ 1,796,453	26,946,792	42%
	<u>169</u>		<u>\$ 64,097,105</u>	<u>100%</u>

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, 2021, 2020, and 2019, these individually significant loans totaled \$6,500,000, \$6,500,000, and \$4,508,607, respectively.

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

Notes to Financial Statements

June 30, 2021, 2020, and 2019

4. INVESTMENT CERTIFICATES:

At June 30, 2021, the Fund was indebted on certificates as summarized below:

<u>Type</u>	<u>Term</u>	<u>IRA</u>	<u>Total Certificates</u>
Demand	\$ 12,592,030	\$ -	\$ 12,592,030
One year	14,460,986	166,593	14,627,579
Three year	13,909,497	897,936	14,807,433
Five year	33,723,253	3,999,290	37,722,543
	<u>\$ 74,685,766</u>	<u>\$ 5,063,819</u>	<u>\$ 79,749,585</u>

At June 30, 2020, the Fund was indebted on certificates as summarized below:

<u>Type</u>	<u>Term</u>	<u>IRA</u>	<u>Total Certificates</u>
Demand	\$ 8,318,251	\$ -	\$ 8,318,251
One year	10,819,441	157,518	10,976,959
Three year	10,731,673	308,728	11,040,401
Five year	32,715,261	4,600,138	37,315,399
	<u>\$ 62,584,626</u>	<u>\$ 5,066,384</u>	<u>\$ 67,651,010</u>

At June 30, 2019, the Fund was indebted on certificates as summarized below:

<u>Type</u>	<u>Term</u>	<u>IRA</u>	<u>Total Certificates</u>
Demand	\$ 4,455,796	\$ -	\$ 4,455,796
One year	8,258,603	175,647	8,434,250
Three year	9,503,064	328,029	9,831,093
Five year	25,938,924	4,307,533	30,246,457
	<u>\$ 48,156,387</u>	<u>\$ 4,811,209</u>	<u>\$ 52,967,596</u>

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.
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Notes to Financial Statements

June 30, 2021, 2020, and 2019

4. INVESTMENT CERTIFICATES, continued:

Investment certificates at June 30, 2021, which bear interest at rates of 1.5% to 4%, mature as follows:

Year of Maturity	Total Certificates
Demand	\$ 12,582,030
2022	27,202,057
2023	7,480,717
2024	14,613,952
2025	7,333,939
2026	10,536,890
	\$ 79,749,585

Approximately 52% of all outstanding investment certificates are concentrated in five states as follows as of June 30, 2021:

State	Number	Amount	Percentage of Portfolio
Missouri (including related parties, Note 5)	110	\$ 13,642,960	17%
Louisiana	95	7,846,297	10%
Texas	102	7,281,595	9%
California	29	6,851,469	9%
Wisconsin	51	5,526,244	7%
	387	\$ 41,148,565	52%

**UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.
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Notes to Financial Statements

June 30, 2021, 2020, and 2019

4. INVESTMENT CERTIFICATES, continued:

Large investors as of June 30, 2021, 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)	2	\$ 7,929,940	10%
Greater than \$500,000	34	32,287,768	40%
\$200,001-500,000	55	16,479,145	21%
\$100,000-200,000	82	11,117,314	14%
	<u>173</u>	<u>\$ 67,814,167</u>	<u>85%</u>

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, 2021, 2020, and 2019. In addition, the Fund pays a variable fee to the UPCI of the average assets invested in the Fund; the variable fee was 100 basis points for the year ended June 30, 2021, 85 basis points for the year ended June 30, 2020, and 75 basis points for the years ended June 30, 2019. Total variable fees paid were \$781,909, \$551,764, and \$361,806 for the years ended June 30, 2021, 2020, and 2019, respectively.

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

	<u>June 30,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
UPCI:			
Investment certificates	\$ 7,572,487	\$ 4,409,519	\$ 5,290,976
Interest paid	\$ 179,962	\$ 147,536	\$ 146,782
The United Pentecostal Foundation			
Investment certificates	\$ 357,453	\$ 118,429	\$ 129,278
Interest paid	\$ 12,926	\$ 4,007	\$ 2,183
Urshan Collegiate Supporting Organization			
Loans receivable	\$ 9,361,946	\$ 9,617,246	\$ 4,917,278
Interest income	\$ 676,423	\$ 641,422	\$ 309,149

During the years ended June 30, 2020 and 2019, the Fund received unrestricted contributions of \$1,000,000 and \$50,000, respectively, from the UPCI. During the year ended June 30, 2021, the Fund granted \$250,000 to Urshan Collegiate Supporting Organization.

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.
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Notes to Financial Statements

June 30, 2021, 2020, and 2019

6. LINES OF CREDIT:

The Fund has a short-term line of credit from the UPCI and may borrow amounts up to \$2,000,000 at a variable interest rate at June 30, 2021. This was increased from an available line of credit of \$1,000,000 at June 30, 2019 and 2018. At June 30, 2021, 2020, and 2019, 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, 2021, 2020, and 2019, the Fund had extended loan commitments of approximately \$4,312,000, \$5,192,000, and \$3,824,000, respectively.

8. FUNCTIONAL ALLOCATION OF EXPENSES:

The following table presents the functional allocation of expenses for the year ended June 30, 2021:

	Program Services	General and Administrative	Total
Interest expense	\$ 2,027,587	\$ -	\$ 2,027,587
Grants to other organizations	250,000	-	250,000
Provision for doubtful loans	46,385	-	46,385
Management fee	568,786	363,123	931,909
Professional services	201,085	66,800	267,885
	<u>\$ 3,093,843</u>	<u>\$ 429,923</u>	<u>\$ 3,523,766</u>
Total	<u>\$ 3,093,843</u>	<u>\$ 429,923</u>	<u>\$ 3,523,766</u>

The following table presents the functional allocation of expenses for the year ended June 30, 2020:

	Program Services	General and Administrative	Total
Interest expense	\$ 1,852,241	\$ -	\$ 1,852,241
Provision for doubtful loans	844	-	844
Management fee	440,601	261,163	701,764
Professional services	187,979	85,704	273,683
	<u>\$ 2,481,665</u>	<u>\$ 346,867</u>	<u>\$ 2,828,532</u>
Total	<u>\$ 2,481,665</u>	<u>\$ 346,867</u>	<u>\$ 2,828,532</u>

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

Notes to Financial Statements

June 30, 2021, 2020, and 2019

8. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

The following table presents the functional allocation of expenses for the year ended June 30, 2019:

	Program Services	General and Administrative	Total
Interest expense	\$ 1,411,332	\$ -	\$ 1,411,332
Provision for doubtful loans	27,938	-	27,938
Management fee	321,336	190,470	511,806
Professional services	104,836	64,753	169,589
Total	\$ 1,865,442	\$ 255,223	\$ 2,120,665

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Management fee is allocated on the basis of estimates of time and effort of the UPCI assigned staff who manage the Fund's operations.

9. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Fund's financial assets as of June 30, 2021, 2020, and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, unfunded portions of line of credit commitments, or liquidity reserve limits required for church extension funds.

	June 30,		
	2021	2020	2019
Financial assets:			
Cash and cash equivalents	\$ 16,296,234	\$ 11,901,383	\$ 9,819,401
Investments	3,698,624	3,662,324	2,374,952
Accrued interest receivable	300,784	213,650	200,210
Loans receivable	63,712,540	56,025,274	43,385,381
Financial assets, at year-end	84,008,182	71,802,631	55,779,944
Less those unavailable for general expenditure within one year, due to:			
Loans receivable collectible beyond one year	(60,478,265)	(53,337,666)	(40,697,773)
Church extension fund required liquidity reserves *	(4,784,975)	(4,412,081)	(3,237,408)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 18,744,942</u>	<u>\$ 14,052,884</u>	<u>\$ 11,844,763</u>

UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.
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Notes to Financial Statements

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9. LIQUIDITY AND FUNDS AVAILABLE continued:

The Fund structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Fund intends to offer certificates from time to time to match the demand for loans that it reasonably anticipates and to make mortgage related investments from the Fund as soon as is reasonably practical after receipt of such funds. The Fund expects to operate on a positive margin based upon the spread between the interest, fees and revenues that it generates and the interest costs that it will pay on the Certificates. The Fund also has a short-term line of credit from the UPCI and may borrow amounts up to \$2,000,000 as of June 30, 2021, and \$1,000,000 as of June 30, 2020 and 2019, at a variable interest rate. No funds were borrowed under this agreement during the years ended June 30, 2021, 2020, and 2019.

* The North American Securities Administrators Association's statement of policy regarding church extension fund securities states that at the end of its most recent fiscal year as reported in its audited financial statements, the church extension fund's cash, cash equivalents, readily marketable securities and available lines of credit shall have a value of at least 8% of the principal balance of its total outstanding certificates, except that the value of available lines of credit for meeting this standard shall not exceed 2% of the principal balance of its total outstanding certificates. The Fund has adopted this policy.

10. 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, 2021, 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, 2021, the Fund had one borrower with loans totaling \$9,361,946 above 5% of total assets, which represents 11% of total assets. 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. The Fund 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 this policy at June 30, 2021, 2020, and 2019. There were no unsecured loans as of June 30, 2021, 2020, and 2019. 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.

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.

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11. RISKS AND UNCERTAINTIES:

In March of 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The pandemic may have an ongoing impact on church giving and therefore impact the ability for a church to meet its obligations, including monthly mortgage payments. As a response to the ongoing COVID-19 pandemic, the Fund has implemented a new initiative, the COVID-19 Church Relief Program. This initiative provided payment deferral or interest only payments to churches that have been negatively impacted by the pandemic. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Fund for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through August 27, 2021, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.