

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

**CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2024, 2023, AND 2022**



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**UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.**  
**DBA: UNITED PENTECOSTAL CHURCH LOAN FUND**  
**TABLE OF CONTENTS**  
**YEARS ENDED JUNE 30, 2024, 2023, AND 2022**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF ACTIVITIES</b>	<b>5</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>8</b>



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Consolidated Financial Statements

#### **Opinion**

We have audited the accompanying consolidated financial statements of United Pentecostal Church Development Fund, Inc. dba: United Pentecostal Church Loan Fund (the Fund), which comprise the consolidated statements of financial position as of June 30, 2024, 2023, and 2022, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Pentecostal Church Development Fund, Inc. as of June 30, 2024, 2023, and 2022 and the changes in 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of United Pentecostal Church Development Fund, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 consolidated 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 consolidated 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 consolidated 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 United Pentecostal Church Development Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Pentecostal Church Development Fund, Inc.'s ability to continue as a going concern for a reasonable period of time.

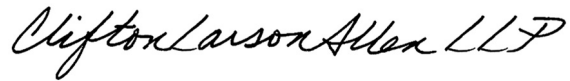
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Other Information Included in the Annual Report***

Management is responsible for the other information included in the annual report. The other information comprises the divisional letters. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

**CliftonLarsonAllen LLP**

St. Louis, Missouri  
August 20, 2024

**UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.**  
**DBA: UNITED PENTECOSTAL CHURCH LOAN FUND**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2024, 2023, AND 2022**

	June 30,		
	2024	2023	2022
<b>ASSETS:</b>			
Cash	\$ 4,979,713	\$ 2,414,130	\$ 5,404,007
Accrued interest receivable	388,832	341,423	303,434
Contribution receivable	100,000	-	-
Prepaid expenses	55,519	27,911	24,685
Investments	15,333,916	18,322,782	23,059,603
Loans receivable	79,102,345	72,230,881	64,978,950
Allowance for credit losses	(648,458)	(543,819)	(422,363)
Property	1,619,581	1,619,581	1,619,581
	<u>\$ 100,931,448</u>	<u>\$ 94,412,889</u>	<u>\$ 94,967,897</u>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>Liabilities:</b>			
Funds held for others	\$ 377,794	\$ 548,851	\$ -
Investment certificates	94,522,658	88,107,202	89,974,474
	<u>94,900,452</u>	<u>88,656,053</u>	<u>89,974,474</u>
<b>Net assets:</b>			
Without donor restrictions	6,030,996	5,756,836	4,993,423
	<u>6,030,996</u>	<u>5,756,836</u>	<u>4,993,423</u>
	<u>\$ 100,931,448</u>	<u>\$ 94,412,889</u>	<u>\$ 94,967,897</u>

See accompanying Notes to Consolidated Financial Statements.

**UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.**  
**DBA: UNITED PENTECOSTAL CHURCH LOAN FUND**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2024, 2023, AND 2022**

	Years Ended June 30,		
	2024	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Interest and fees on loans receivable	\$ 4,668,419	\$ 4,120,096	\$ 3,996,930
Interest and dividends on cash and investments	881,799	741,196	137,743
Total interest and dividend income	<u>5,550,218</u>	<u>4,861,292</u>	<u>4,134,673</u>
Less interest expense on investment certificates	<u>(3,534,663)</u>	<u>(2,369,439)</u>	<u>(2,105,452)</u>
Net interest income	<u>2,015,555</u>	<u>2,491,853</u>	<u>2,029,221</u>
Other operating income and expenses:			
Contributions	100,000	100,000	200,000
Noncash gift of property	-	-	1,619,581
Other income	11,498	2,213	788
Net unrealized gain (loss) on investments	116,271	58,578	(583,802)
Grants to other organizations	(8,466)	(573)	(1,000,594)
Provision for credit losses	(104,639)	(121,456)	(37,798)
Management fee	(1,374,875)	(1,298,798)	(1,168,374)
Professional services	<u>(481,184)</u>	<u>(468,404)</u>	<u>(342,836)</u>
	<u>(1,741,395)</u>	<u>(1,728,440)</u>	<u>(1,313,035)</u>
Change in Net Assets Without Donor Restrictions	274,160	763,413	716,186
Net Assets, Beginning of Year	<u>5,756,836</u>	<u>4,993,423</u>	<u>4,277,237</u>
Net Assets, End of Year	<u>\$ 6,030,996</u>	<u>\$ 5,756,836</u>	<u>\$ 4,993,423</u>

See accompanying Notes to Consolidated Financial Statements.

**UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.**  
**DBA: UNITED PENTECOSTAL CHURCH LOAN FUND**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2024, 2023, AND 2022**

	Years Ended June 30,		
	2024	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from loan interest and fees	\$ 4,621,010	\$ 4,082,107	\$ 3,994,280
Contributions and other income received	11,498	102,213	200,788
Cash received from bank interest and dividends	77,313	36,595	32,955
Cash paid for grants	(8,466)	(573)	(1,000,594)
Cash paid to vendors and the UPCI	(1,883,667)	(1,770,428)	(1,517,255)
Interest paid to investors	(246,583)	(189,842)	(181,887)
Net Cash Provided by Operating Activities	<u>2,571,105</u>	<u>2,260,072</u>	<u>1,528,287</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments	(1,331,971)	(1,000,000)	(21,200,000)
Sale of investments	5,241,594	6,500,000	1,360,007
Principal payments received on loans	4,099,719	9,176,538	13,138,152
Loans made	(10,971,183)	(15,879,618)	(14,019,997)
Net Cash Used by Investing Activities	<u>(2,961,841)</u>	<u>(1,203,080)</u>	<u>(20,721,838)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds received from issuance of investment certificates	25,136,414	15,162,606	19,295,588
Payments made to redeem investment certificates	(22,180,095)	(19,209,475)	(10,994,264)
Net Cash Provided (Used) by Financing Activities	<u>2,956,319</u>	<u>(4,046,869)</u>	<u>8,301,324</u>
Change in Cash	2,565,583	(2,989,877)	(10,892,227)
Cash, Beginning of Year	<u>2,414,130</u>	<u>5,404,007</u>	<u>16,296,234</u>
Cash, End of Year	<u>\$ 4,979,713</u>	<u>\$ 2,414,130</u>	<u>\$ 5,404,007</u>

See accompanying Notes to Consolidated Financial Statements.



**UNITED PENTECOSTAL CHURCH DEVELOPMENT FUND, INC.  
DBA: UNITED PENTECOSTAL CHURCH LOAN FUND  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2024, 2023, AND 2022**

RECONCILIATION OF CHANGE IN NET ASSETS  
ASSETS TO NET CASH PROVIDED BY  
OPERATING ACTIVITIES:

Change in net assets without donor restrictions	\$ 274,160	\$ 763,413	\$ 716,186
Adjustments:			
Net unrealized (gain) loss on investments	(116,271)	(58,578)	583,802
Reinvested investment interest and dividends	(804,486)	(704,601)	(104,788)
Provision for credit losses	104,639	121,456	37,798
Reinvested interest on investment certificates	3,288,080	2,179,597	1,923,565
Noncash gift of property	-	-	(1,619,581)
Change in:			
Accrued interest receivable	(47,409)	(37,989)	(2,650)
Contribution receivable	(100,000)	-	-
Prepaid expenses	(27,608)	(3,226)	(6,045)
Net Cash Provided by Operating Activities	<u>\$ 2,571,105</u>	<u>\$ 2,260,072</u>	<u>\$ 1,528,287</u>

SUPPLEMENTAL SCHEDULE OF NONCASH  
INVESTING AND FINANCING ACTIVITIES:

Noncash gift of property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,619,581</u>
Matured investment certificates reinvested	<u>\$ 34,134,486</u>	<u>\$ 25,906,892</u>	<u>\$ 23,906,560</u>

See accompanying Notes to Consolidated Financial Statements.

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

Notes to Consolidated Financial Statements

June 30, 2024, 2023, and 2022

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.

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).

United Pentecostal Properties, LLC (UPP) was formed as a limited liability company under the Missouri Limited Liability Company Act. UPP was established to hold and manage property that the Fund acquires. The Fund serves as the sole member of UPP.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The consolidated 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.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the operations of The Fund and UPP, hereinafter referred to as the Fund. All significant intercompany balances and transactions have been eliminated.

CASH POLICY

Cash consists of checking and savings accounts. The Fund's cash balance is primarily maintained with one financial institution. Cash may, at times, exceed federally insured limits. As of June 30, 2024, 2023, and 2022, the Fund's cash balances exceeded federally insured limits by \$4,707,000, \$2,081,163, and \$5,154,007, respectively.

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

Notes to Consolidated Financial Statements

June 30, 2024, 2023, and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments with readily determinable fair values are recorded at fair value with gains and losses reported in the consolidated statements of activities. Investment in some interest bearing deposits are recorded at cost plus accrued interest. Investment income and realized and unrealized gains and losses are reported as income without donor restrictions unless a donor or law restricts their use. The Fund records investments and related realized gains and losses on sales of investments based on the trade date. Dividend income is recognized on the ex-dividend date, and interest income is recognized on an accrual basis. Certain items, which meet the definition of cash equivalents but are part of a larger pool of investments, are included in investments.

LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

Loans receivable are stated at their principal amount outstanding 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. Interest income on loans is accrued and credited to income based on the principal amount outstanding. 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.

*Allowance for credit losses*

The Fund recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term) which includes consideration of prepayments.

Assets are written off when the Fund determines that such financial assets are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the statements of financial position date.

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

Notes to Consolidated Financial Statements

June 30, 2024, 2023, and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:  
LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES, continued

*Allowance for credit losses, continued*

The Fund utilizes a loss rate approach in determining its lifetime expected credit losses on its loans. This method is used for calculating an estimate of losses based primarily on the Fund's historical loss experience. In determining its loss rates, the Fund evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that it can reasonably forecast. For the period of time beyond which it can reasonably forecast it applies immediate reversion based on the facts and circumstances as of the reporting date. The Fund concludes that it can reasonably support a forecast period for two years after the balance sheet date. The Fund's loan portfolio consists of only one segment as the Fund only provides loans to churches and affiliated organizations of the denomination, and all loans have the same underwriting criteria and similar interest rates and terms, in addition to being collateralized primarily by real estate assets owned by the church or affiliated organization. In situations where a loan does not share the same risk characteristics with other loans, the Fund measures those loans individually.

Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider the following: lending policies and underwriting process, overall quality of the loan portfolio, assessment of the health of the denomination and the relationship between the Fund and the denomination, and the current and forecasted direction of the economic and business environment. Such forecasted information includes trends with federal monetary and fiscal policy, inflation, and market valuation.

The Fund also has off-balance sheet financial instruments, which include church standby letters of credit and construction loans. The Fund minimizes these risks through underwriting guidelines and prudent risk management techniques. The Fund estimates a liability for loan commitment that are not unconditionally cancellable by the Fund based on the likelihood of funding and an estimate of credit losses over the life after funding. Credit loss methodology is based on a loss rate approach that starts with the probability of funding based on historical experience and adjusted for current conditions and further adjusted for the period of time that can be reasonably forecast. As of June 30, 2024, the Fund recorded a liability of off-balance sheet unfunded commitments totaling approximately \$16,000. Due to immateriality, this amount has been combined with the allowance for credit losses in the consolidated statements of financial position.

*Credit quality indicators*

The Fund pools its loans based on similar risk characteristics in estimating expected credit losses. When a loan no longer shares the same risk characteristics as other loans, the Fund measures those individually. The Fund annually evaluates pooling decisions and adjusts as needed as risk characteristics change. For the year ended June 30, 2024, the Fund categorized its loans based on its internal risk rating matrix which includes a process that evaluates the underlying collateral, the borrower's ability to repay, and the borrower's payment history. For the years ended June 30, 2023 and 2022, the Fund categorized its loans based on performance status. Loans were considered to be nonperforming when days past due is greater than 90 days in the previous month; all other loans were considered to be performing.

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

Notes to Consolidated Financial Statements

June 30, 2024, 2023, and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

*Interest receivable*

The Fund elects to present the accrued interest receivable balance separately in the consolidated statements of financial position from the amortized cost of the loans receivable. The Fund elected to not measure an allowance for credit losses for accrued interest receivable. The accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due and management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible within the stated term of the loan. All accrued interest is reversed against interest income when a loan is placed on nonaccrual status. Interest received on nonaccrual loans, generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance, and future payments are reasonably assured. The Fund did not write off any loan accrued interest receivables during the years ended June 30, 2024, 2023, and 2022. 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.

PROPERTY

Property is stated at cost if acquired or at fair market value at the date of gift, if donated.

CLASSES OF NET ASSETS AND CONTRIBUTIONS

The financial statements report 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, 2024, 2023, and 2022, the Fund had no net assets with donor restrictions. The Fund recognizes contributions when cash, securities, or others 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, 2024, all contributions have been recognized.

During the year ended June 30, 2022, the Fund received a noncash contribution of donated property. The contributed property is held for future investment or use by the Fund. The UPCI purchased the property and subsequently donated it to the Fund. In valuing the contributed property, the Fund estimated the fair value based on the purchase price of the property by the UPCI.

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

Notes to Consolidated Financial Statements

June 30, 2024, 2023, and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

**RECENTLY ADOPTED ACCOUNTING STANDARD**

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – Credit Losses (Topic 326). The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU.

The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current Generally Accepted Accounting Principles (GAAP), which generally require that a loss be incurred before it is recognized.

On July 1, 2023, the Fund adopted the guidance prospectively with no cumulative adjustment to net assets needed. The Fund has not restated comparative information for the years ended June 30, 2023 and 2022, and therefore, the comparative information 2023 and 2022 is reported under the old model and is not comparable to the information presented for the year ended June 30, 2024.

3. INVESTMENTS

Investments are summarized as follows:

	June 30,		
	2024	2023	2022
At fair value:			
Money market mutual funds	\$ 1,106,633	\$ 1,026,325	\$ 4,020,506
Exchange traded funds - fixed income	5,366,531	3,411,006	-
Exchange traded funds - equity	4,224,844	9,973,653	10,667,717
Mutual funds - fixed income	889,373	1,057,521	994,100
Mutual funds - equity	569,481	801,272	669,771
	12,156,862	16,269,777	16,352,094
At cost:			
Cash	190,409	275,132	5,971,830
Certificates of deposit	2,986,645	1,777,873	735,679
	3,177,054	2,053,005	6,707,509
	\$ 15,333,916	\$ 18,322,782	\$ 23,059,603

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

Notes to Consolidated Financial Statements

June 30, 2024, 2023, and 2022

3. INVESTMENTS, continued

The Fund uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Fund measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available. The valuations for each of these levels are determined as follows:

Level 1 - Quoted prices for identical instruments traded in active markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets or model-based valuations where significant assumptions are observable.

Level 3 - Model-based techniques using significant assumptions that are not observable. These unobservable assumptions reflect estimates of assumptions that market participants would use.

All of the Fund's investments held at fair value as of June 30, 2024, 2023, and 2022, are reported at fair value based on quoted prices in active markets, which is Level 1 of the fair value hierarchy.

4. LOANS RECEIVABLE, NET:

Loans receivable are summarized as follows:

	June 30,		
	2024	2023	2022
Less than 5.50%	\$ 2,245,488	\$ 3,913,986	\$ 1,918,359
5.50% - 6.00%	48,713,010	55,899,180	55,254,675
6.05% - 6.45%	2,690,063	3,375,940	5,285,504
6.50% - 7.00%	6,432,393	6,417,185	2,467,608
7.05% - 8.45%	19,021,391	2,624,590	52,804
	79,102,345	72,230,881	64,978,950
Allowance for credit losses	(648,458)	(543,819)	(422,363)
	\$ 78,453,887	\$ 71,687,062	\$ 64,556,587
 Average interest rate of loans	 6.35%	 5.89%	 5.82%

The Fund elected to exclude accrued interest receivable from the amortized cost basis of loans.

As of June 30, 2024, 2023 and 2022, accrued interest receivable for loans totaled \$388,832, \$341,423 and \$303,434, respectively, and is included in accrued interest receivable on the consolidated statements of financial position.

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

Notes to Consolidated Financial Statements

June 30, 2024, 2023, and 2022

4. LOANS RECEIVABLE, NET, continued:

An analysis of the allowance for credit losses is as follows:

	June 30,		
	2024	2023	2022
Balance, beginning of year	\$ 543,819	\$ 422,363	\$ 384,565
Provision for credit losses	104,639	121,456	37,798
Balance, end of year	\$ 648,458	\$ 543,819	\$ 422,363

The following table presents loans by internal risk rating matrix for the year ended June 30, 2024:

(1) Excellent	\$ -
(2) Good	-
(3) Satisfactory	78,318,296
(4) Acceptable	784,049
(5) Substandard	-
(6) Watch	-
(7) Doubtful	-
(8) Loss	-
	\$ 79,102,345

At June 30, 2024, there were no past due loans.



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

Notes to Consolidated Financial Statements

June 30, 2024, 2023, and 2022

4. LOANS RECEIVABLE, NET, continued:

The following table presents loans by performance status for the years ended June 30, 2023 and 2022:

	June 30,	
	2023	2022
Performing	\$ 72,230,881	\$ 64,978,950
Nonperforming	-	-
	\$ 72,230,881	\$ 64,978,950

Prior to the year ended June 30, 2024, the Fund evaluated loans for impairment on an individual basis if the loan is more than 90 days delinquent. These loans would be given a specific allowance based on the estimated net realizable value of property serving as collateral. All other loans were evaluated for a loan allowance on a collective basis. At June 30, 2023 and 2022, there were no loans individually evaluated for impairment; all loans were collectively evaluated for impairment. At June 30, 2023, there was one loan with a principal balance of approximately \$474,000 that was past due greater than 60 days but less than 90 days past due. At June 30, 2023, there were no other delinquent loans or loans classified as impaired. At June 30, 2022, there were no past due loans or loans classified as impaired.

Loans at June 30, 2024, are scheduled to mature as follows:

2025	\$ 3,829,177
2026	457,782
2027	1,901,928
2028	78,516
2029	1,481,176
Thereafter	71,353,766
	\$ 79,102,345

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

Notes to Consolidated Financial Statements

June 30, 2024, 2023, and 2022

4. LOANS RECEIVABLE, NET, continued:

The Fund had a total of 216 loans at June 30, 2024. 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
Missouri	19	\$ 15,285,351	19%
Texas	28	12,677,420	16%
Florida	10	5,270,155	7%
North Carolina	12	4,677,352	6%
	<u>69</u>	<u>\$ 37,910,278</u>	<u>48%</u>

Loans receivable as of June 30, 2024, are distributed by size of loan as follows:

Balance	Number	Average Balance	Total Balance	Percentage of Portfolio
Less than \$150,000	78	\$ 80,062	\$ 6,244,865	8%
\$ 150,000 - 299,999	56	\$ 220,032	12,321,779	15%
\$ 300,000 - 749,999	55	\$ 469,223	25,807,266	33%
\$ 750,000 or more	27	\$ 1,286,238	34,728,435	44%
	<u>216</u>		<u>\$ 79,102,345</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. There was one individually significant loan to a related party of with an outstanding balance of \$4,050,000 as of June 30, 2024. There were no individually significant loans as of June 30, 2023 and 2022.

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

Notes to Consolidated Financial Statements

June 30, 2024, 2023, and 2022

5. INVESTMENT CERTIFICATES:

At June 30, 2024, the Fund was indebted on certificates as summarized below:

Type	Term	IRA	Total Certificates
Demand	\$ 10,479,869	\$ -	\$ 10,479,869
One year	38,168,422	1,698,161	39,866,583
Three year	11,346,746	386,933	11,733,679
Five year	29,169,985	3,272,542	32,442,527
	<u>\$ 89,165,022</u>	<u>\$ 5,357,636</u>	<u>\$ 94,522,658</u>

At June 30, 2023, the Fund was indebted on certificates as summarized below:

Type	Term	IRA	Total Certificates
Demand	\$ 11,126,717	\$ -	\$ 11,126,717
One year	21,639,637	381,304	22,020,941
Three year	17,660,561	909,146	18,569,707
Five year	32,418,420	3,971,417	36,389,837
	<u>\$ 82,845,335</u>	<u>\$ 5,261,867</u>	<u>\$ 88,107,202</u>

At June 30, 2022, the Fund was indebted on certificates as summarized below:

Type	Term	IRA	Total Certificates
Demand	\$ 12,444,857	\$ -	\$ 12,444,857
One year	22,665,833	390,606	23,056,439
Three year	17,705,662	900,996	18,606,658
Five year	32,090,984	3,775,536	35,866,520
	<u>\$ 84,907,336</u>	<u>\$ 5,067,138</u>	<u>\$ 89,974,474</u>

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

Notes to Consolidated Financial Statements

June 30, 2024, 2023, and 2022

5. INVESTMENT CERTIFICATES, continued:

Investment certificates at June 30, 2024, which bear interest at rates of 1.5% to 5.25%, mature as follows:

Year of Maturity	Total Certificates
Demand	\$ 10,479,869
2025	49,558,426
2026	9,391,052
2027	11,049,500
2028	7,201,553
2029	6,842,258
	\$ 94,522,658

Approximately 56% of all outstanding investment certificates are concentrated in seven states as follows as of June 30, 2024:

State	Number	Amount	Percentage of Portfolio
Missouri (including related parties, Note 6)	114	\$ 16,471,430	17%
California	26	7,224,638	8%
Louisiana	77	7,133,979	8%
Georgia	8	6,849,119	7%
Texas	84	5,363,888	6%
Oklahoma	56	4,863,165	5%
Michigan	17	4,830,506	5%
	382	\$ 52,736,725	56%

Large investors as of June 30, 2024, 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 6)	2	\$ 9,977,587	11%
Greater than \$500,000	35	41,526,095	44%
\$200,001-500,000	69	19,984,483	21%
\$100,000-200,000	80	10,567,446	11%
	186	\$ 82,055,611	87%

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

Notes to Consolidated Financial Statements

June 30, 2024, 2023, and 2022

**6. 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 pays a variable fee of up to 150 basis points to the UPCI of the average assets invested in the Fund. Total fees paid were \$1,374,875, \$1,298,798, and \$1,168,374, for the years ended June 30, 2024, 2023, and 2022, respectively.

Investment certificates have been issued to the UPCI and its subsidiary The United Pentecostal Foundation. A loan has been issued to Urshan Collegiate Supporting Organization, a UPCI subsidiary. Certificate balances and interest earned by the organizations as well as loan receivable balances and interest income are as follows:

	June 30,		
	2024	2023	2022
UPCI:			
Investment certificates	\$ 9,745,778	\$ 8,098,344	\$ 7,875,208
Interest earned	\$ 287,541	\$ 223,275	\$ 193,313
The United Pentecostal Foundation			
Investment certificates	\$ 231,809	\$ 215,219	\$ 324,745
Interest earned	\$ 7,815	\$ 8,280	\$ 20,767
Urshan Collegiate Supporting Organization			
Loans receivable	\$ 10,203,647	\$ 7,235,297	\$ 2,858,879
Interest income	\$ 526,421	\$ 253,978	\$ 444,506

During the years ended June 30, 2024, 2023, and 2022, the Fund received unrestricted contributions of \$100,000, \$100,000, and \$1,819,581, respectively, from the UPCI. The contribution promised by the UPCI during the year ended June 30, 2024, was still outstanding as of June 30, 2024, and therefore, reported in contributions receivable. During the year ended June 30, 2022, the Fund granted \$1,000,000 to the UPCI. In addition, during the years ended June 30, 2024, the Fund paid United Insurance Solutions, Inc. \$32,246 for liability insurance.

**7. 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, 2024, 2023, and 2022. At June 30, 2024, 2023, and 2022, the Fund had no outstanding balance on the line of credit.

**8. 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, 2024, 2023, and 2022, the Fund had extended loan commitments of approximately \$1,923,000, \$5,495,000, and \$6,533,000, respectively.

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

Notes to Consolidated Financial Statements

June 30, 2024, 2023, and 2022

9. FUNCTIONAL ALLOCATION OF EXPENSES:

The following table presents the functional allocation of expenses for the year ended June 30, 2024:

	Program Services	General and Administrative	Total
Interest expense	\$ 3,534,663	\$ -	\$ 3,534,663
Grants to other organizations	8,466	-	8,466
Provision for credit losses	104,639	-	104,639
Management fee	1,110,084	264,791	1,374,875
Professional services	307,721	173,463	481,184
Total	<u>\$ 5,065,573</u>	<u>\$ 438,254</u>	<u>\$ 5,503,827</u>

The following table presents the functional allocation of expenses for the year ended June 30, 2023:

	Program Services	General and Administrative	Total
Interest expense	\$ 2,369,439	\$ -	\$ 2,369,439
Grants to other organizations	573	-	573
Provision for doubtful loans	121,456	-	121,456
Management fee	943,338	355,460	1,298,798
Professional services	300,364	168,040	468,404
Total	<u>\$ 3,735,170</u>	<u>\$ 523,500</u>	<u>\$ 4,258,670</u>

The following table presents the functional allocation of expenses for the year ended June 30, 2022:

	Program Services	General and Administrative	Total
Interest expense	\$ 2,105,452	\$ -	\$ 2,105,452
Grants to other organizations	1,000,594	-	1,000,594
Provision for doubtful loans	37,798	-	37,798
Management fee	728,728	439,646	1,168,374
Professional services	293,189	49,647	342,836
Total	<u>\$ 4,165,761</u>	<u>\$ 489,293</u>	<u>\$ 4,655,054</u>

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.

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

Notes to Consolidated Financial Statements

June 30, 2024, 2023, and 2022

**10. LIQUIDITY AND FUNDS AVAILABLE:**

The following table reflects the Fund's financial assets 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,		
	2024	2023	2022
Financial assets:			
Cash and cash equivalents	\$ 4,979,713	\$ 2,414,130	\$ 5,404,007
Contribution receivable	100,000	-	-
Investments	15,333,916	18,322,782	23,059,603
Accrued interest receivable	388,832	341,423	303,434
Loans receivable, net	78,453,887	71,687,062	64,556,587
Financial assets, at year-end	99,256,348	92,765,397	93,323,631
Less those unavailable for general expenditure within one year, due to:			
Loans receivable collectible beyond one year	(72,558,496)	(65,925,622)	(61,809,219)
Church extension fund required liquidity reserves *	(5,671,359)	(5,286,432)	(5,398,468)
Financial assets available to meet cash needs for general expenditures within one year	\$ 21,026,493	\$ 21,553,343	\$ 26,115,944

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, 2024, 2023, and 2022, at a variable interest rate. No funds were borrowed under this agreement during the years ended June 30, 2024, 2023, and 2022.

\* 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.

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

Notes to Consolidated Financial Statements

June 30, 2024, 2023, and 2022

11. 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, 2024, substantially 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, 2023, the Fund had one borrower with loans totaling \$10,203,647 above 5% of total assets, which represents 10% 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, 2024, 2023, and 2022. There were no unsecured loans as of June 30, 2024, 2023, and 2022. 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.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through August 20, 2024, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.





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