

**LIVING CHURCH OF GOD (INTERNATIONAL), INC.
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES**

As of and for the Years Ended December 31, 2021 and 2020

And Report of Independent Auditor

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Report of Independent Auditor

To the Board of Directors
Living Church of God (International), Inc. and Affiliates
Charlotte, North Carolina

Opinion

We have audited the accompanying consolidated financial statements of Living Church of God (International), Inc. and Affiliates (collectively, the “Church”), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, 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 the Church as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Church 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 opinion.

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 the Church’s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor’s 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 auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 the Church'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 the Church'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information contained in the consolidating statements of financial position and activities is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Cheryl Behant LLP

Charlotte, North Carolina
May 5, 2022

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 11,675,297	\$ 7,620,767
Investments	4,405,461	3,813,181
Real estate held for sale	87,800	293,768
Receivables, net	938,362	6,373,594
Contributions receivable for use of real estate	152,500	27,935
Inventory	36,329	57,566
Prepaid expenses	536,186	547,817
Deposits	12,420	13,120
Total Current Assets	<u>17,844,355</u>	<u>18,747,748</u>
Property and equipment, net	3,083,757	2,753,697
Total Assets	<u><u>\$ 20,928,112</u></u>	<u><u>\$ 21,501,445</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 420,633	\$ 528,920
Accrued wages and other liabilities	485,460	471,303
Capital lease obligations	11,144	14,043
Total Current Liabilities	<u>917,237</u>	<u>1,014,266</u>
Noncurrent Liabilities:		
Capital lease obligations	-	11,144
Total Noncurrent Liabilities	<u>-</u>	<u>11,144</u>
Total Liabilities	<u>917,237</u>	<u>1,025,410</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	19,555,551	20,126,876
Total Without Donor Restrictions	<u>19,555,551</u>	<u>20,126,876</u>
With Donor Restrictions:		
Subject to purpose restrictions	302,824	321,224
Subject to time restrictions	152,500	27,935
Total With Donor Restrictions	<u>455,324</u>	<u>349,159</u>
Total Net Assets	<u>20,010,875</u>	<u>20,476,035</u>
Total Liabilities and Net Assets	<u><u>\$ 20,928,112</u></u>	<u><u>\$ 21,501,445</u></u>

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue and Support:						
Tithes and contributions	\$ 16,642,548	\$ -	\$ 16,642,548	\$ 15,533,525	\$ -	\$ 15,533,525
Holy Day offerings	4,100,434	-	4,100,434	3,764,780	-	3,764,780
Net investment return	45,986	-	45,986	104,221	-	104,221
Estate gifts	1,572,711	-	1,572,711	4,970,929	-	4,970,929
Camp revenue	28,403	-	28,403	44,936	-	44,936
Other revenue	738,408	-	738,408	3,736,239	-	3,736,239
Special project contributions	-	251,855	251,855	-	89,318	89,318
	23,128,490	251,855	23,380,345	28,154,630	89,318	28,243,948
Net assets released from restrictions	145,690	(145,690)	-	98,466	(98,466)	-
Total Revenue and Support	23,274,180	106,165	23,380,345	28,253,096	(9,148)	28,243,948
Expenses:						
Program Services:						
Feeding the Flock	11,251,266	-	11,251,266	10,115,439	-	10,115,439
Preaching the Gospel	10,834,573	-	10,834,573	8,637,568	-	8,637,568
Supporting Services:						
Management and General	1,759,666	-	1,759,666	1,589,705	-	1,589,705
Total Expenses	23,845,505	-	23,845,505	20,342,712	-	20,342,712
Change in net assets	(571,325)	106,165	(465,160)	7,910,384	(9,148)	7,901,236
Net assets, beginning of year	20,126,876	349,159	20,476,035	12,216,492	358,307	12,574,799
Net assets, end of year	\$ 19,555,551	\$ 455,324	\$ 20,010,875	\$ 20,126,876	\$ 349,159	\$ 20,476,035

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

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services			Supporting Services	Totals
	Feeding the Flock	Preaching the Gospel	Total Program Expense	Management and General	
Salaries, wages, taxes, and benefits	\$ 5,330,760	\$ 2,639,238	\$ 7,969,998	\$ 840,122	\$ 8,810,120
Assistance to others	1,668,492	-	1,668,492	27,935	1,696,427
Depreciation and amortization	311,367	201,594	512,961	31,437	544,398
Facility expense	131,348	109,677	241,025	23,931	264,956
Hall and equipment rental	1,223,236	17,459	1,240,695	772	1,241,467
Insurance	1,402,721	722,145	2,124,866	162,737	2,287,603
Miscellaneous	205,269	266,552	471,821	34,033	505,854
Office expense	84,805	85,606	170,411	255,964	426,375
Magazines, periodicals, and booklets	66,209	1,210,118	1,276,327	3,002	1,279,329
Internet advertising and services	-	798,910	798,910	-	798,910
Postage and freight	168,384	2,169,569	2,337,953	23,578	2,361,531
Professional, legal, and contract services	185,021	275,812	460,833	350,070	810,903
Television broadcasting	-	2,302,388	2,302,388	-	2,302,388
Travel, meals, and professional development	473,654	35,505	509,159	6,085	515,244
Total Expenses	\$ 11,251,266	\$ 10,834,573	\$ 22,085,839	\$ 1,759,666	\$ 23,845,505

The accompanying notes to the consolidated financial statements are an integral part of this statement.

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services			Supporting Services	Totals
	Feeding the Flock	Preaching the Gospel	Total Program Expense	Management and General	
Salaries, wages, taxes, and benefits	\$ 4,866,401	\$ 2,269,612	\$ 7,136,013	\$ 870,734	\$ 8,006,747
Assistance to others	1,566,482	-	1,566,482	55,870	1,622,352
Depreciation and amortization	299,633	212,610	512,243	31,845	544,088
Facility expense	111,584	88,937	200,521	20,449	220,970
Hall and equipment rental	1,055,505	20,702	1,076,207	453	1,076,660
Insurance	1,248,245	579,382	1,827,627	170,737	1,998,364
Miscellaneous	167,899	269,516	437,415	52,029	489,444
Office expense	76,004	37,500	113,504	206,680	320,184
Magazines, periodicals, and booklets	84,052	983,000	1,067,052	2,194	1,069,246
Internet advertising and services	-	514,545	514,545	-	514,545
Postage and freight	121,056	1,370,742	1,491,798	14,893	1,506,691
Professional, legal, and contract services	129,987	315,779	445,766	151,147	596,913
Television broadcasting	-	1,903,604	1,903,604	-	1,903,604
Travel, meals, and professional development	388,591	71,639	460,230	12,674	472,904
Total Expenses	\$ 10,115,439	\$ 8,637,568	\$ 18,753,007	\$ 1,589,705	\$ 20,342,712

The accompanying notes to the consolidated financial statements are an integral part of this statement.

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ (465,160)	\$ 7,901,236
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	544,398	544,088
Noncash lease contribution, net of expense	(124,565)	55,870
Net unrealized gain on investments	(14,512)	(71,865)
Gain on disposal of property and equipment	(91,144)	-
Donated investments	(572,699)	(3,505,748)
Noncash donation of real estate	(87,800)	(293,768)
Change in operating assets and liabilities:		
Receivables	5,435,232	(858,561)
Inventory	21,237	69,614
Prepaid expenses	11,631	(74,419)
Deposits	700	175
Accounts payable	(108,287)	34,814
Accrued wages and other liabilities	14,157	55,718
Net cash flows from operating activities	<u>4,563,188</u>	<u>3,857,154</u>
Cash flows from investing activities:		
Purchases of property and equipment	(875,084)	(193,922)
Proceeds from sale of property and equipment	91,770	-
Proceeds from property held for sale	293,768	-
Purchases of investments	(5,069)	-
Net cash flows from investing activities	<u>(494,615)</u>	<u>(193,922)</u>
Cash flows from financing activities:		
Principal payments on capital lease obligations	(14,043)	(13,165)
Net cash flows from financing activities	<u>(14,043)</u>	<u>(13,165)</u>
Change in cash and cash equivalents	4,054,530	3,650,067
Cash and cash equivalents, beginning of year	<u>7,620,767</u>	<u>3,970,700</u>
Cash and cash equivalents, end of year	<u>\$ 11,675,297</u>	<u>\$ 7,620,767</u>
Supplemental disclosure of cash flow information:		
Interest paid during the year	<u>\$ 1,219</u>	<u>\$ 2,097</u>

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 1—Organization and summary of significant accounting policies

Organization and Nature of Activities – Living Church of God (International), Inc. and Affiliates (collectively, the “Church”), a North Carolina nonprofit religious corporation, is involved in preaching the Gospel of the Kingdom of God and providing for the spiritual and material needs of its members. The Church is primarily funded by tithes and offerings without donor restrictions. It is headquartered in Charlotte, North Carolina.

Consideration of Reporting Entity – The Living Church of God is comprised of various legal entities in the United States. Entities affiliated with the Living Church of God have been included in the consolidated financial statements. These entities include Living Church of God, Inc.; El Mundo De Mañana, LLC; Heads Up, LLC; Le Monde de Demain, LLC; Tomorrow’s World, Inc.; and Tomorrow’s World, LLC. Pursuant to an analysis regarding indirect control and economic dependence, Living Youth Programs, LLC is consolidated with the Living Church of God’s financial statements.

Living Youth Programs LLC (“LYP”) was established in 2013 as a youth-serving ministry to organize, promote, and manage activities and events that are primarily, but not exclusively, youth-oriented and built on a religious foundation, in compliance with the not-for-profit religious aims of the Principal Sponsor, the Church, which is the sole and managing member of LYP. The Church’s Board of Directors appoints the officers and managers of LYP and all LYP activities and operations are subject to its approval. As a unique legal entity, LYP has its own bank accounts and vendor relationships. Each year, LYP organizes, promotes, and manages teen, pre-teen, and adventure youth summer camps at various locations in the United States of America, provides online camp registration and payment services, as well as live and archived youth-focused bible studies over the internet.

The operations of foreign affiliates are not included in the accompanying consolidated financial statements as they are independent entities in which the Church does not hold a controlling interest.

All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Financial Accounting Standards Board (“FASB”) has established the Accounting Standards Codification as the source of authoritative accounting principles to be applied in the preparation of consolidated financial statements in accordance with U.S. GAAP. Resources are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Church and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Church. These net assets may be used at the discretion of the Church’s management and Board of Directors. The Church has chosen to provide further classification information about net assets without donor restrictions. The sub classifications are as follows:

Board Designated – Comprised of funds set aside by the Board of Directors to be used for specific activities within general guidelines established by the Church. There were no board-designated amounts for the years ended December 31, 2021 and 2020.

Undesignated – Represents the cumulative net assets without donor restrictions excluding those net assets that are board designated.

Net Assets With Donor Restriction – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Church or by the passage of time. Contributions whose restrictions are satisfied in the same reporting period in which the contribution was received are reported as without donor restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no funds held in perpetuity for the years ended December 31, 2021 or 2020.

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 1—Organization and summary of significant accounting policies (continued)

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Contribution Revenue – Tithes and offerings are recorded as revenue in the year the contribution is paid. Members of the Church practice tithing, the donation of 10% of one's income for the Church's undesignated use. These tithes (known as first tithe), plus undesignated offerings given at each of seven annual Holy Days, comprise the majority of Church support and revenue.

In addition to first tithe and offerings, members save a second tithe for personal use to be able to attend the annual Holy Days. Those who are able, give 10% of this personal second tithe and/or excess second tithe to the Church. The Church uses these funds to help pay for expenses incurred by the Church to conduct the Holy Days and assist the needy members to be able to attend the Church festivals.

Members, who are financially able, also contribute an additional tithe in the third and sixth years of every seven-year cycle. These contributions are used first to assist widows, orphans, and the poor; and secondly, for retirees and missionary support.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Donor-restricted contributions are received primarily for disaster relief and assistance to foreign affiliates in need and are recorded as special project contributions in the accompanying consolidated statements of activities.

Other Revenue – Other revenues are contingent gains that consist mostly of litigated broadcast royalties that are recognized when royalty amounts are settled.

Cash and Cash Equivalents – The Church considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, except for those short-term investments managed as part of investment management strategies.

Investments – Investments consisted of certificates of deposits, fixed income securities, U.S. mutual funds, and precious metal coins. Realized and unrealized gains and losses are reported as net investment return in the consolidated statements of activities.

Receivables – Receivables consist of contributions receivable, royalties receivable, estate gifts receivable, amounts due from foreign affiliates, note receivable, employees receivable, the state of North Carolina for sales tax paid, and vendor receivables. Management's determination of the allowance for doubtful accounts is based on an evaluation of the receivable, past experience, current economic conditions, and other risks. Receivables are written off when, in the opinion of management, such receivables are deemed to be uncollectible.

Inventories – Inventories consist of various books and publications and are stated at the lower of cost (first-in, first-out method) or net realizable value. A physical inventory of the publications is taken semi-annually (mid-year and year-end).

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 1—Organization and summary of significant accounting policies (continued)

Prepaid Expenses and Deposits – Prepaid expenses consist of television time, publications, Church meeting hall rentals, insurance, and other, which includes postage paid in advance. Deposits include funds to secure hall rentals, youth camps, and festival sites.

Programming costs of television time are paid in advance of the scheduled air date. The expense is recognized in the month the program is aired.

Prepaid church meeting hall rentals are expensed in the month the meeting is held. The majority of the church hall rentals are on a month-to-month basis.

Property and Equipment – Property and equipment is stated at cost. Depreciation of property is computed on the straight-line method over the estimated useful lives of 30 years for buildings, 10 years for building improvements, and 3 to 5 years for office furniture and equipment. The costs of major improvements are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of the respective properties, are expensed when incurred. The cost and accumulated depreciation of property are eliminated from the accounts upon disposal, and any resulting gain or loss is included in the consolidated statements of activities.

Accrued Wages and Other Liabilities – Accrued liabilities primarily pertain to amounts accrued for compensated absences, salaries, and wages.

Income Taxes – The Church is exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (“IRC”) and applicable state statutes. The Church’s controlled entities are non-profit organizations with no taxable activity. The Church is liable for federal and state taxes on any unrelated business income, as defined in the IRC. The Church’s policy is to record a liability for any tax position taken that is beneficial to the Church, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination.

Donated Services – No amounts have been reflected in the consolidated financial statements for donated services. The Church pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that include assisting the Church with specific programs and service on various assigned crews. Such donated services have not been quantified and do not meet the criteria for recognition in the consolidated financial statements.

Functional Expenses – The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The primary expenses that are allocated include salaries, wages, taxes and benefits, depreciation and amortization, facility expense, insurance, office expense, postage and freight, which are allocated on a square-footage basis and estimates of time and effort.

Advertising Expense – Advertising costs are expensed as incurred. Total advertising expense for the years ended December 31, 2021 and 2020, was \$798,910 and \$514,545, respectively.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 1—Organization and summary of significant accounting policies (continued)

Programs and Support Services – The Church sponsors a number of programs and support services. Those programs and services consist of the following:

Support of Local Congregations – Represents the cost incurred and paid by the Church at the local congregation level to provide for the spiritual needs of its members. Included are pastoral expenses such as salaries, healthcare, vehicles, and other travel related costs; as well as weekly meeting hall rentals, mailing of DVD sermons, expenses to conduct the annual Holy Days, youth programs, the direct support of foreign affiliates, and other support.

Assistance to the Needy – Provides for the material needs of Church members primarily as assistance for widows, orphans, and the poor; including assistance to enable some members to attend the annual Holy Days. Assistance to foreign affiliates in need is also included.

Living Youth Programs, LLC – Includes direct financial support, allocated facility costs, and Church employee personnel costs associated with operating Living Youth Programs, LLC.

Television and Radio – Primarily represents the cost of purchasing air time for the Church's weekly television program, *Tomorrow's World*. Also included are the production costs associated with creating the program and costs for video tape and answering service.

Publishing and Editorial – Includes editorial and publishing costs of the Church's bi-monthly magazine, *Tomorrow's World*, and an array of booklets, primarily intended for non-members. Also included are costs of printing all other Church materials.

Mail Processing and Distribution – Represents the costs of fulfilling literature, audiotape, and compact disk requests generated by preaching the Gospel of the Kingdom of God through television, radio, and publishing. Computer support of mailing lists is also included.

Support Services and Other – Includes administrative expenses not directly attributable to specific programs. This includes the full cost of all finance, accounting, purchasing, human resources, and legal support. It also includes general insurance and other miscellaneous expenses.

Future Pronouncements – Leases – In February 2016, FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the consolidated statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. Management is currently in the process of evaluating the impact of the adoption of this ASU on the consolidated financial statements.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard will be effective for fiscal years beginning after June 15, 2021. Management is currently in the process of evaluating the impact of the adoption of this ASU on the consolidated financial statements.

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 1—Organization and summary of significant accounting policies (continued)

Reclassification - A reclassification has been made in the consolidated statement of financial position as of the year ended December 31, 2020 from amounts previously reported to break out investments grouped within cash and cash equivalents.

Note 2—Liquidity and availability

The table below represents financial assets available for general expenditures within one year at December 31:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 11,675,297	\$ 7,620,767
Investments	4,405,461	3,813,181
Receivables, net	938,362	6,373,594
Total financial assets	<u>17,019,120</u>	<u>17,807,542</u>
Less amounts not available to be used for general expenditures within one year:		
Net assets subject to purpose restriction	302,824	321,224
Financial assets not available to meet general expenditures within one year	<u>302,824</u>	<u>321,224</u>
Financial assets available to meet general expenditures within one year	<u>\$ 16,716,296</u>	<u>\$ 17,486,318</u>

As part of the Church's liquidity management plan, it structures its financial assets to be available as its obligations come due. The Church considers general expenditures to include program expenses, supporting services, and any commitments or liabilities to be paid in the subsequent year.

The Church has donor-restricted assets limited to use which are not available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets not available to meet general expenditures within one year.

Note 3—Investments

The fair value of investments at December 31 is summarized below:

	<u>2021</u>	<u>2020</u>
Money market	\$ 1,003,499	\$ 1,550
Certificate of deposit	1,499,370	-
Fixed income	999,590	3,498,794
Precious metal coins	297,181	312,837
U.S. mutual funds	605,821	-
	<u>\$ 4,405,461</u>	<u>\$ 3,813,181</u>

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 4—Receivables

Receivables at December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Gross estate receivables	\$ 560,000	\$ 2,496,161
Contributions receivable	269,955	255,945
Royalties receivable	-	3,479,203
Due from affiliated entities	2,205	18,840
Note receivable	75,973	84,908
Other receivables	44,229	52,537
	<u>952,362</u>	<u>6,387,594</u>
Less allowance for uncollectible receivables	(14,000)	(14,000)
Total receivables	<u>\$ 938,362</u>	<u>\$ 6,373,594</u>

Note 5—Contributions receivable for use of real estate

The Church entered into two below fair value operating leases with a church congregation member expiring in 2021. The Church renewed the lease in April 2021. The operating leases are for two houses that are being used for student housing. The initial term of the leases is 36 months following the commencement date at an annual cost of \$2,541 each. The Church estimated the fair value of the leases at approximately \$183,000 based on comparable market rates. In accordance with U.S. GAAP, the Church recorded the use of the real estate as an unconditional promise to give and as donor-restricted support at its fair value. In the initial and future years, the receivable will be reduced and lease expense will be recorded in an amount equal to the estimated annual lease value of the property. At December 31, 2021 and 2020, contributions receivable for the use of real estate is \$152,500 and \$27,935, respectively.

Note 6—Prepaid expenses

Prepaid expenses at December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Television	\$ 203,189	\$ 160,477
Church hall rent	112,584	80,272
Postage	33,620	15,988
Insurance	90,342	179,860
Other	96,451	111,220
Total prepaid expenses	<u>\$ 536,186</u>	<u>\$ 547,817</u>

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 7—Property and equipment

The following is a summary of property and equipment at December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 517,100	\$ 517,100
Land improvements	10,670	10,670
Building and improvements	3,547,028	3,544,452
Leasehold improvements	140,761	140,761
Equipment, furniture, and software	3,290,571	3,083,277
Vehicles	1,751,623	1,366,449
Construction in progress	-	22,677
	<u>9,257,753</u>	<u>8,685,386</u>
Less accumulated depreciation	<u>(6,173,996)</u>	<u>(5,931,689)</u>
Property and equipment, net	<u>\$ 3,083,757</u>	<u>\$ 2,753,697</u>

Depreciation expense, including amortization on equipment and vehicles under capital lease, was \$544,398 and \$544,088 for the years ended December 31, 2021 and 2020, respectively.

Note 8—Capital lease obligations

The Church leases certain equipment under agreements that are classified as capital leases. These obligations require monthly payments varying from \$346 to \$479 and extend through August 2022. At December 31, 2021 and 2020, capital lease obligations were \$11,144 and \$25,187, respectively. The cost of equipment under capital leases is included as property and equipment and is summarized at December 31, as follows:

	<u>2021</u>	<u>2020</u>
Office equipment	\$ 41,402	\$ 41,402
Less accumulated amortization	<u>(30,258)</u>	<u>(16,215)</u>
	<u>\$ 11,144</u>	<u>\$ 25,187</u>

The future minimum payments under these leases for the year ending December 31, 2022 are \$11,144.

Note 9—Net assets with donor restriction

Donor restricted net assets are available for the following purposes as of December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Disaster relief	\$ 201,818	\$ 204,742
Other	101,006	116,482
	<u>302,824</u>	<u>321,224</u>
Subject to the passage of time:		
Contributions receivable for the use of real estate	152,500	27,935
	<u>\$ 455,324</u>	<u>\$ 349,159</u>

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 10—Net assets released from restrictions

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	<u>2021</u>	<u>2020</u>
Disaster relief	\$ 15,460	\$ 1,230
Contribution receivable for the use of real estate	58,435	55,870
Other	71,795	41,366
	<u>\$ 145,690</u>	<u>\$ 98,466</u>

Note 11—Benefit plan

The Church has a 403(b) tax deferred annuity plan for all eligible employees. Eligible employees may elect to defer up to the maximum contribution permitted by the IRC. The Church can elect to match a discretionary amount each year. For the year ended December 31, 2021 and 2020, the Church matched 2% of eligible employee's contributions and expensed \$98,395 and \$58,732, respectively.

The Church provides discretionary postemployment retirement payments and healthcare benefits to select ministers' widows and retired employees that meet certain objective and subjective criteria. Although one of the criteria includes an employee's years of service (with the Church and its predecessors), an accrual for these future benefits has not been recorded due to the Church's ability to deny payments at its sole discretion. For the years ended December 31, 2021 and 2020, the Church expensed payments for this purpose totaling approximately \$255,000 and \$281,000, respectively.

Note 12—Concentration of credit risk

The Church places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Church from time to time may have amounts on deposit in excess of the insured limits.

Note 13—Related party

The Church has affiliated entities throughout the world that are related by some common board members but are not included in the consolidated financial statements. For the years ended December 31, 2021 and 2020, the Church expended \$948,811 and \$858,419, respectively, related to these affiliates. The Church also had accounts receivables of \$2,205 and \$18,840 due from affiliated entities at December 31, 2021 and 2020, respectively, as well as accounts payable due to affiliated entities of \$116,366 and \$251,632 at December 31, 2021 and 2020, respectively, included in the accompanying consolidated statements of financial position.

In addition, the Church is leasing two houses from a congregation member (see Note 5).

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 14—Fair value measurements of assets and liabilities

The Church utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Under the fair value guidance, the Church groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Financial instruments with unadjusted, quoted prices listed on active market exchanges. The Church has certificates of deposits, fixed income securities and U.S. mutual funds shown in Note 3 that are considered Level 1 assets at December 31, 2021 and 2020.

Level 2 – Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. The precious metal coins owned by the Church and shown in Note 3 are considered Level 2 assets at December 31, 2021 or 2020.

Level 3 – Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value. The Church has no assets or liabilities subject to Level 3 valuations at December 31, 2021 or 2020.

Note 15—Subsequent events

The Church has evaluated subsequent events through May 5, 2022, in connection with the preparation of these consolidated financial statements which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY SCHEDULES

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

	<u>Living Church of God</u>	<u>Living Youth Program</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 11,650,282	\$ 25,015	\$ -	\$ 11,675,297
Investments	4,554,720	-	(149,259)	4,405,461
Real estate held for sale	87,800	-	-	87,800
Receivables, net	938,362	-	-	938,362
Contributions receivable for use of real estate	152,500	-	-	152,500
Inventory	36,329	-	-	36,329
Prepaid expenses	533,736	2,450	-	536,186
Deposits	12,420	-	-	12,420
Total Current Assets	<u>17,966,149</u>	<u>27,465</u>	<u>(149,259)</u>	<u>17,844,355</u>
Property and equipment, net	<u>2,958,608</u>	<u>125,149</u>	<u>-</u>	<u>3,083,757</u>
Total Assets	<u><u>\$ 20,924,757</u></u>	<u><u>\$ 152,614</u></u>	<u><u>\$ (149,259)</u></u>	<u><u>\$ 20,928,112</u></u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 419,483	\$ 1,150	\$ -	\$ 420,633
Accrued wages and other liabilities	483,255	2,205	-	485,460
Capital lease obligations	11,144	-	-	11,144
Total Current Liabilities	<u>913,882</u>	<u>3,355</u>	<u>-</u>	<u>917,237</u>
Net Assets:				
Without Donor Restrictions:				
Undesignated	<u>19,555,551</u>	<u>149,259</u>	<u>(149,259)</u>	<u>19,555,551</u>
Total Without Donor Restrictions	<u>19,555,551</u>	<u>149,259</u>	<u>(149,259)</u>	<u>19,555,551</u>
With Donor Restrictions:				
Subject to purpose restrictions	302,824	-	-	302,824
Subject to time restrictions	152,500	-	-	152,500
Total With Donor Restrictions	<u>455,324</u>	<u>-</u>	<u>-</u>	<u>455,324</u>
Total Net Assets	<u>20,010,875</u>	<u>149,259</u>	<u>(149,259)</u>	<u>20,010,875</u>
Total Liabilities and Net Assets	<u><u>\$ 20,924,757</u></u>	<u><u>\$ 152,614</u></u>	<u><u>\$ (149,259)</u></u>	<u><u>\$ 20,928,112</u></u>

LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Living Church of God			Living Youth Program		Consolidated		
	Without Donor	With Donor	Totals	Without Donor	Eliminations	Without Donor	With Donor	Totals
	Restrictions	Restrictions		Restrictions		Restrictions		
Revenue and Support:								
Tithes and contributions	\$ 16,641,498	\$ -	\$ 16,641,498	\$ 1,050	\$ -	\$ 16,642,548	\$ -	\$ 16,642,548
Holy Day offerings	4,100,434	-	4,100,434	-	-	4,100,434	-	4,100,434
LCG Subsidy	-	-	-	179,389	(179,389)	-	-	-
Net investment return	45,986	-	45,986	-	-	45,986	-	45,986
Estate gifts	1,572,711	-	1,572,711	-	-	1,572,711	-	1,572,711
Camp revenue	-	-	-	28,403	-	28,403	-	28,403
Other revenue	705,675	-	705,675	-	32,733	738,408	-	738,408
Special project contributions	-	251,855	251,855	-	-	-	251,855	251,855
	23,066,304	251,855	23,318,159	208,842	(146,656)	23,128,490	251,855	23,380,345
Net assets released from restrictions	145,690	(145,690)	-	-	-	145,690	(145,690)	-
Total Revenue and Support	23,211,994	106,165	23,318,159	208,842	(146,656)	23,274,180	106,165	23,380,345
Expenses:								
Program Services:								
Feeding the Flock	11,189,080	-	11,189,080	241,575	(179,389)	11,251,266	-	11,251,266
Preaching the Gospel	10,834,573	-	10,834,573	-	-	10,834,573	-	10,834,573
Supporting Services:								
Management and General	1,759,666	-	1,759,666	-	-	1,759,666	-	1,759,666
Total Expenses	23,783,319	-	23,783,319	241,575	(179,389)	23,845,505	-	23,845,505
Change in net assets	(571,325)	106,165	(465,160)	(32,733)	32,733	(571,325)	106,165	(465,160)
Net assets, beginning of year	20,126,876	349,159	20,476,035	181,992	(181,992)	20,126,876	349,159	20,476,035
Net assets, end of year	\$ 19,555,551	\$ 455,324	\$ 20,010,875	\$ 149,259	\$ (149,259)	\$ 19,555,551	\$ 455,324	\$ 20,010,875