

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES**

*As of and for the Years Ended December 31, 2018 and 2017*

*And Report of Independent Auditor*

**LIVING CHURCH OF GOD (INTERNATIONAL), INC. AND AFFILIATES**  
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## **Report of Independent Auditor**

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

### **Report on Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Living Church of God (International), Inc. and Affiliates (the "Church"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Living Church of God (International), Inc. and Affiliates as of December 31, 2018 and 2017, 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.

### **Changes in Financial Statement Presentation**

As discussed in Note 1, the Church adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

### **Other Matter**

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 in the supplemental schedules 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 in the supplemental schedules is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Cherry Bekaert LLP*

Charlotte, North Carolina  
May 31, 2019

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

DECEMBER 31, 2018 AND 2017

|  | <u>2018</u>                 | <u>2017</u>                |
|--|-----------------------------|----------------------------|
| <b>ASSETS</b>                                  |                             |                            |
| Current Assets:                                |                             |                            |
| Cash and cash equivalents                      | \$ 2,685,778                | \$ 2,167,552               |
| Investments                                    | 273,522                     | 286,359                    |
| Receivables, net                               | 3,865,771                   | 446,734                    |
| Contribution receivable for use of real estate | 27,935                      | 55,210                     |
| Inventory                                      | 225,510                     | 305,576                    |
| Prepaid expenses                               | 237,769                     | 288,110                    |
| Deposits                                       | <u>10,395</u>               | <u>25,565</u>              |
| Total Current Assets                           | 7,326,680                   | 3,575,106                  |
| Contribution receivable for use of real estate | 111,740                     | 27,605                     |
| Property and equipment, net                    | <u>3,322,876</u>            | <u>3,555,355</u>           |
| <b>Total Assets</b>                            | <u><u>\$ 10,761,296</u></u> | <u><u>\$ 7,158,066</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>              |                             |                            |
| Current Liabilities:                           |                             |                            |
| Accounts payable                               | \$ 376,386                  | \$ 344,845                 |
| Accrued wages and other liabilities            | 376,524                     | 373,480                    |
| Notes payable                                  | 310,203                     | 329,866                    |
| Capital lease obligations                      | <u>12,303</u>               | <u>21,494</u>              |
| Total Current Liabilities                      | <u>1,075,416</u>            | <u>1,069,685</u>           |
| Noncurrent Liabilities:                        |                             |                            |
| Notes payable                                  | 1,172,365                   | 1,432,047                  |
| Capital lease obligations                      | <u>-</u>                    | <u>18,065</u>              |
| Total Noncurrent Liabilities                   | <u>1,172,365</u>            | <u>1,450,112</u>           |
| <b>Total Liabilities</b>                       | <u>2,247,781</u>            | <u>2,519,797</u>           |
| Net Assets:                                    |                             |                            |
| Without Donor Restrictions:                    |                             |                            |
| Undesignated                                   | <u>8,090,815</u>            | <u>4,101,675</u>           |
| Total without Donor Restrictions               | <u>8,090,815</u>            | <u>4,101,675</u>           |
| With Donor Restrictions:                       |                             |                            |
| Subject to purpose restrictions                | <u>422,700</u>              | <u>536,594</u>             |
| Total with Donor Restrictions                  | <u>422,700</u>              | <u>536,594</u>             |
| <b>Total Net Assets</b>                        | <u>8,513,515</u>            | <u>4,638,269</u>           |
| <b>Total Liabilities and Net Assets</b>        | <u><u>\$ 10,761,296</u></u> | <u><u>\$ 7,158,066</u></u> |

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

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

YEARS ENDED DECEMBER 31, 2018 AND 2017

|                                       | 2018                          |                            |                     | 2017                          |                            |                     |
|---------------------------------------|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Totals              | Without Donor<br>Restrictions | With Donor<br>Restrictions | Totals              |
| Revenue and Support:                  |                               |                            |                     |                               |                            |                     |
| Tithes and contributions              | \$ 14,379,664                 | \$ 169,570                 | \$ 14,549,234       | \$ 13,587,408                 | \$ 216,074                 | \$ 13,803,482       |
| Holy Day offerings                    | 3,396,297                     | -                          | 3,396,297           | 3,384,358                     | -                          | 3,384,358           |
| Net investment return                 | 21,771                        | -                          | 21,771              | 27,182                        | -                          | 27,182              |
| Estate gifts                          | 1,255,500                     | -                          | 1,255,500           | 136,062                       | -                          | 136,062             |
| Camp revenue                          | 99,088                        | -                          | 99,088              | 147,662                       | -                          | 147,662             |
| Other revenue                         | 2,615,998                     | -                          | 2,615,998           | 138,411                       | -                          | 138,411             |
| Special project donations             | -                             | 92,704                     | 92,704              | -                             | 82,056                     | 82,056              |
| Tuition and fees, net                 | 38,862                        | -                          | 38,862              | 104,535                       | -                          | 104,535             |
|                                       | <u>21,807,180</u>             | <u>262,274</u>             | <u>22,069,454</u>   | <u>17,525,618</u>             | <u>298,130</u>             | <u>17,823,748</u>   |
| Net assets released from restrictions | <u>376,168</u>                | <u>(376,168)</u>           | <u>-</u>            | <u>309,063</u>                | <u>(309,063)</u>           | <u>-</u>            |
| Total Revenue and Support             | <u>22,183,348</u>             | <u>(113,894)</u>           | <u>22,069,454</u>   | <u>17,834,681</u>             | <u>(10,933)</u>            | <u>17,823,748</u>   |
| Expenses:                             |                               |                            |                     |                               |                            |                     |
| Program Services:                     |                               |                            |                     |                               |                            |                     |
| Feeding the Flock                     | 10,617,316                    | -                          | 10,617,316          | 10,042,197                    | -                          | 10,042,197          |
| Preaching the Gospel                  | 6,227,147                     | -                          | 6,227,147           | 6,490,309                     | -                          | 6,490,309           |
| Supporting Services:                  |                               |                            |                     |                               |                            |                     |
| Management and General                | <u>1,349,745</u>              | <u>-</u>                   | <u>1,349,745</u>    | <u>1,267,777</u>              | <u>-</u>                   | <u>1,267,777</u>    |
| Total Expenses                        | <u>18,194,208</u>             | <u>-</u>                   | <u>18,194,208</u>   | <u>17,800,283</u>             | <u>-</u>                   | <u>17,800,283</u>   |
| Change in net assets                  | 3,989,140                     | (113,894)                  | 3,875,246           | 34,398                        | (10,933)                   | 23,465              |
| Net assets, beginning of year         | 4,101,675                     | 536,594                    | 4,638,269           | 4,112,277                     | 502,527                    | 4,614,804           |
| Transfer based on donor intent        | <u>-</u>                      | <u>-</u>                   | <u>-</u>            | <u>(45,000)</u>               | <u>45,000</u>              | <u>-</u>            |
| Net assets, end of year               | <u>\$ 8,090,815</u>           | <u>\$ 422,700</u>          | <u>\$ 8,513,515</u> | <u>\$ 4,101,675</u>           | <u>\$ 536,594</u>          | <u>\$ 4,638,269</u> |

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, 2018*

|   | Program Services     |                      |                       | Supporting Services    | Totals               |
|---|----------------------|----------------------|-----------------------|------------------------|----------------------|
|   | Feeding the Flock    | Preaching the Gospel | Total Program Expense | Management and General |                      |
| Salaries, wages, taxes, and benefits        | \$ 4,746,153         | \$ 1,828,381         | \$ 6,574,534          | \$ 751,184             | \$ 7,325,718         |
| Assistance to others                        | 1,759,933            | -                    | 1,759,933             | 28,965                 | 1,788,898            |
| Depreciation and amortization               | 357,106              | 235,920              | 593,026               | 33,185                 | 626,211              |
| Facility expense                            | 130,271              | 269,569              | 399,840               | 21,207                 | 421,047              |
| Hall and equipment rental                   | 1,238,498            | 11,798               | 1,250,296             | -                      | 1,250,296            |
| Insurance                                   | 1,191,857            | 506,821              | 1,698,678             | 151,765                | 1,850,443            |
| Miscellaneous                               | 99,537               | 45,377               | 144,914               | -                      | 144,914              |
| Office expense                              | 215,347              | 823,285              | 1,038,632             | 139,831                | 1,178,463            |
| Postage and freight                         | 85,148               | 933,506              | 1,018,654             | 10,137                 | 1,028,791            |
| Professional, legal, and contract services  | 93,618               | 199,622              | 293,240               | 200,669                | 493,909              |
| Television broadcasting                     | -                    | 1,263,020            | 1,263,020             | -                      | 1,263,020            |
| Travel, meals, and professional development | 699,848              | 109,848              | 809,696               | 12,802                 | 822,498              |
| <b>Total Expenses</b>                       | <b>\$ 10,617,316</b> | <b>\$ 6,227,147</b>  | <b>\$ 16,844,463</b>  | <b>\$ 1,349,745</b>    | <b>\$ 18,194,208</b> |

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, 2017

|   | Program Services     |                      |                       | Supporting Services    | Totals               |
|---|----------------------|----------------------|-----------------------|------------------------|----------------------|
|   | Feeding the Flock    | Preaching the Gospel | Total Program Expense | Management and General |                      |
| Salaries, wages, taxes, and benefits        | \$ 4,429,165         | \$ 1,863,642         | \$ 6,292,807          | \$ 777,876             | \$ 7,070,683         |
| Assistance to others                        | 1,423,520            | -                    | 1,423,520             | 6,683                  | 1,430,203            |
| Depreciation and amortization               | 321,878              | 237,640              | 559,518               | 27,740                 | 587,258              |
| Facility expense                            | 114,287              | 285,278              | 399,565               | 16,151                 | 415,716              |
| Hall and equipment rental                   | 1,272,187            | 11,858               | 1,284,045             | -                      | 1,284,045            |
| Insurance                                   | 1,163,327            | 535,849              | 1,699,176             | 160,202                | 1,859,378            |
| Miscellaneous                               | 115,912              | 75,342               | 191,254               | -                      | 191,254              |
| Office expense                              | 278,184              | 990,686              | 1,268,870             | 135,208                | 1,404,078            |
| Postage and freight                         | 102,280              | 1,094,630            | 1,196,910             | 11,893                 | 1,208,803            |
| Professional, legal, and contract services  | 100,426              | 210,506              | 310,932               | 112,458                | 423,390              |
| Television broadcasting                     | -                    | 1,085,869            | 1,085,869             | -                      | 1,085,869            |
| Travel, meals, and professional development | 721,031              | 99,009               | 820,040               | 19,566                 | 839,606              |
| <b>Total Expenses</b>                       | <b>\$ 10,042,197</b> | <b>\$ 6,490,309</b>  | <b>\$ 16,532,506</b>  | <b>\$ 1,267,777</b>    | <b>\$ 17,800,283</b> |

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, 2018 AND 2017

|  | <b>2018</b>         | <b>2017</b>         |
|--|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>   |                     |                     |
| Change in net assets   | \$ 3,875,246        | \$ 23,465           |
| Adjustments to reconcile change in net assets to net cash from operating activities: |                     |                     |
| Depreciation and amortization  | 626,211             | 587,258             |
| Noncash lease expense  | 55,540              | 55,210              |
| Net unrealized/realized loss (gain) on investments                                   | 3,793               | (26,614)            |
| Gain on disposal of property and equipment   | (2,907)             | (42,898)            |
| Donated investments  | (1,371)             | (12,695)            |
| Noncash donation of use of real estate   | (112,400)           | -                   |
| Change in operating assets and liabilities:  |                     |                     |
| Receivables  | (3,419,037)         | 217,934             |
| Inventory  | 80,066              | 65,247              |
| Prepaid expenses   | 50,341              | (26,029)            |
| Deposits   | 15,170              | 6,150               |
| Accounts payable   | 31,541              | 167,683             |
| Accrued wages and other liabilities  | 3,044               | (2,865)             |
| Net cash from operating activities   | <u>1,205,237</u>    | <u>1,011,846</u>    |
| <b>Cash flows from investing activities:</b>   |                     |                     |
| Purchases of property and equipment  | (349,190)           | (237,241)           |
| Proceeds from sale of property and equipment   | 23,838              | 62,057              |
| Proceeds from sale of investments  | 102,875             | 135,303             |
| Purchases of investments   | (92,460)            | -                   |
| Net cash from investing activities   | <u>(314,937)</u>    | <u>(39,881)</u>     |
| <b>Cash flows from financing activities:</b>   |                     |                     |
| Principal payments on notes payable  | (344,818)           | (338,535)           |
| Principal payments on capital lease obligations                                      | (27,256)            | (34,641)            |
| Net cash from financing activities   | <u>(372,074)</u>    | <u>(373,176)</u>    |
| Change in cash and cash equivalents  | 518,226             | 598,789             |
| Cash and cash equivalents, beginning of year   | <u>2,167,552</u>    | <u>1,568,763</u>    |
| Cash and cash equivalents, end of year   | <u>\$ 2,685,778</u> | <u>\$ 2,167,552</u> |
| <b>Supplemental disclosure of cash flow information:</b>                             |                     |                     |
| Interest paid during the year  | <u>\$ 59,258</u>    | <u>\$ 105,004</u>   |
| <b>Supplemental disclosure of noncash investing activities:</b>                      |                     |                     |
| Acquisition of property and equipment through debt                                   | <u>\$ 65,473</u>    | <u>\$ 221,583</u>   |

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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### **Note 1—Organization and summary of significant accounting policies**

*Organization and Nature of Activities* – Living Church of God (International), Inc. and Affiliates (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 without donor restricted tithes and offerings. 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 University and Living Youth Programs, LLC are consolidated with the Living Church of God financial statements.

Living University (the “University”) was established in 2007 to offer online course work for the development of the whole person by educating men and women in the skills, concepts, and values that lead to success in life, while helping them prepare for leadership and worthwhile service to God and humanity. The University is a separate nonprofit educational corporation, with Regents appointed by the University Board and ratified by the Church. While several Board of Regents members are also members of the Church’s Board, the Church does not have direct control in the University and has no powers or duties over the affairs of the University. All transactions between the Church and the University, including facility rental and shared personnel are arms-length in nature. The Church provides the majority of the financial support to the University. Because of this economic dependence and indirect control in ratifying Board of Regent members, the University has been consolidated with the Church in these financial statements.

The University ceased operations on June 30, 2018. The Church incorporated many of the courses into an expanded in-house educational program that will include youth education, adult education, and ministerial training. The new program will not offer academic degrees and will not be subject to the same regulatory environment as the University. All the assets, liabilities, and net assets of the University were transferred to the Church without consideration. The amount of net assets received has been eliminated on the accompanying consolidated statement of activities for the year ended December 31, 2018.

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 USA., 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

*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 (“GAAP”). The Financial Accounting Standards Board (“FASB”) has established the Accounting Standards Codification (“ASC”) as the source of authoritative accounting principles to be applied in the preparation of consolidated financial statements in accordance with 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, 2018 and 2017.

*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, 2018 and 2017.

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.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

*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.

*Investments* – Investments consist of equities (including precious metal equities), precious metal coins, preferred stock, and mutual funds stated at fair value. Realized and unrealized gains and losses are included as net investment return in the consolidated statements of activities.

*Receivables* – Receivables consist of contributions receivable, royalties receivable, estates 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. Accounts receivable 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).

*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 camp, and festival sites.

Programming costs of television time are paid in advance of the scheduled air date. The expense is recognized in the month that 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 and the University are exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state statutes. The Church's controlled entities are non-profit organizations with no taxable activity. The Church and the University are liable for federal and state taxes on any unrelated business income, as defined in the Code. 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

*Tuition and Fees* – Prior to ceasing operations, the University charged tuition and fees for online study courses. Revenue was recognized pro-rata over the time that the online course was offered. Subsequent to the University ceasing operations at June 30, 2018, the Living Education Program continues to offer online study courses and is not charging tuition and fees.

*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, health care, 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.

*Living University* – Includes direct financial support, allocated facility costs, studio time, and church employee personnel costs associated with operating the University.

*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.

*Functional Expenses* – The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statement of activities. 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

*Advertising Expense* – Advertising costs are expensed as incurred. Total advertising expense for the years ended December 31, 2018 and 2017, was \$274,840 and \$362,912, respectively.

*Use of Estimates* – The preparation of financial statements in conformity with 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.

*New Accounting Pronouncement* – On August 18, 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Church has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

*Future Pronouncements* – In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This standard changes presentation and disclosure requirements for most leases. The primary change is that a lessee should recognize a right-of-use asset and a lease liability for all operating leases at each reporting date. This standard is effective for all fiscal years beginning after December 15, 2018.

The FASB has also issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU is effective for annual periods beginning after June 15, 2018.

Management is currently evaluating the impact the pending adoption ASU 2016-02 and ASU 2018-08 will have on the Church’s financial statements.

### Note 2—Liquidity and availability

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

|   | <u>2018</u>         |
|---|---------------------|
| Financial assets at year-end:   |                     |
| Cash and cash equivalents   | \$ 2,685,778        |
| Investments   | 273,522             |
| Receivables, net  | 3,865,771           |
| Contribution receivable for use of real estate                                  | <u>139,675</u>      |
| Total financial assets  | 6,964,746           |
| Less amounts not available to be used for general expenditures within one year: |                     |
| Long-term portion of contribution receivable for use of real estate             | <u>83,805</u>       |
| Financial assets available to meet general expenditures within one year         | <u>\$ 6,880,941</u> |

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

DECEMBER 31, 2018 AND 2017

**Note 2—Liquidity and availability (continued)**

The Church has donor-restricted assets limited to use which are 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 to meet general expenditures within one year. The Church has other assets limited to use based on the passage of time. The long-term portion of these assets limited to use, which are more fully described in Note 11 are not available for general expenditure within the next year.

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.

Cash is held in interest bearing bank accounts. Additionally, the Church maintains a \$300,000 line of credit, as discussed in more detail in Note 10. As of December 31, 2018, \$300,000 remained available on the Church's line of credit.

**Note 3—Investments**

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

|                      | <u>2018</u>       | <u>2017</u>       |
|----------------------|-------------------|-------------------|
| Gold shares          | \$ 42,919         | \$ 47,179         |
| Precious metal coins | 193,449           | 197,662           |
| Silver shares        | 30,272            | 33,662            |
| Other                | <u>6,882</u>      | <u>7,856</u>      |
| Total investments    | <u>\$ 273,522</u> | <u>\$ 286,359</u> |

Net investment return on the accompanying consolidated statements of activities consists of the following at December 31:

|                               | <u>2018</u>      | <u>2017</u>      |
|-------------------------------|------------------|------------------|
| Interest and dividends        | \$ 25,564        | \$ 568           |
| Unrealized and realized gains | <u>(3,793)</u>   | <u>26,614</u>    |
| Net investment return         | <u>\$ 21,771</u> | <u>\$ 27,182</u> |

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

DECEMBER 31, 2018 AND 2017

**Note 4—Receivables**

Receivables at December 31 are as follows:

|  | <b>2018</b>         | <b>2017</b>       |
|--|---------------------|-------------------|
| Gross estate receivables                     | \$ 1,232,374        | \$ -              |
| Less estate liabilities                      | (125,000)           | -                 |
| Net estate receivables                       | 1,107,374           | -                 |
| Contributions receivable                     | 367,668             | 288,171           |
| Royalties receivable                         | 2,217,393           | -                 |
| Due from affiliated entities                 | 50,143              | 19,020            |
| Note receivable                              | 91,789              | 106,789           |
| Other receivables                            | 45,404              | 46,754            |
|  | <u>3,879,771</u>    | <u>460,734</u>    |
| Less allowance for uncollectible receivables | (14,000)            | (14,000)          |
| Total receivables                            | <u>\$ 3,865,771</u> | <u>\$ 446,734</u> |

**Note 5—Contribution receivable for use of real estate**

The University entered into two below fair value operating leases with a church congregation member in March 2016. The operating leases are for two houses that were being used for student housing by the University. Due to the closing of the University the two leases were canceled and reestablished with the Church with all the same terms and conditions. The initial term of the leases is 36 months following the commencement date at an annual cost of \$2,065 each. The Church estimated the fair value of the leases at approximately \$167,610 based on comparable market rates. In accordance with 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, 2018 and 2017, contributions receivable for the use of real estate is \$139,675 and \$82,815, respectively.

**Note 6—Prepaid expenses**

Prepaid expenses at December 31 consist of the following:

|                        | <b>2018</b>       | <b>2017</b>       |
|------------------------|-------------------|-------------------|
| Television             | \$ 69,531         | \$ 116,024        |
| Church hall rent       | 94,174            | 91,170            |
| Postage                | 15,403            | 18,801            |
| Insurance              | 46,415            | 41,564            |
| Other                  | 12,246            | 20,551            |
| Total prepaid expenses | <u>\$ 237,769</u> | <u>\$ 288,110</u> |



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

DECEMBER 31, 2018 AND 2017

**Note 7—Property and equipment**

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

|                                    | <b>2018</b>                | <b>2017</b>                |
|------------------------------------|----------------------------|----------------------------|
| Land                               | \$ 517,100                 | \$ 517,100                 |
| Land improvements                  | 10,670                     | 10,670                     |
| Building and improvements          | 3,521,286                  | 3,513,161                  |
| Leasehold improvements             | 80,959                     | 74,408                     |
| Equipment, furniture, and software | 3,083,976                  | 3,078,759                  |
| Vehicles                           | 1,255,377                  | 1,138,483                  |
| Construction in progress           | 42,780                     | 27,630                     |
|                                    | <u>8,512,148</u>           | <u>8,360,211</u>           |
| Less accumulated depreciation      | <u>(5,189,272)</u>         | <u>(4,804,856)</u>         |
| Property and equipment, net        | <u><u>\$ 3,322,876</u></u> | <u><u>\$ 3,555,355</u></u> |

Depreciation expense, including amortization on equipment and vehicles under capital lease, was \$626,211 and \$587,258 for the years ended December 31, 2018 and 2017, 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 \$272 to \$1,059 and extend through August 2019. At December 31, 2018 and 2017, capital lease obligations were \$12,303 and \$39,559, respectively. The cost of equipment under capital leases is included as property and equipment and is summarized at December 31, as follows:

|                               | <b>2018</b>             | <b>2017</b>             |
|-------------------------------|-------------------------|-------------------------|
| Vehicles and equipment        | \$ 83,510               | \$ 83,510               |
| Less accumulated amortization | <u>(70,852)</u>         | <u>(44,092)</u>         |
|                               | <u><u>\$ 12,658</u></u> | <u><u>\$ 39,418</u></u> |

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

DECEMBER 31, 2018 AND 2017

**Note 9—Notes payable**

The Church has notes payable at December 31 as summarized below:

|   | <u>2018</u>         | <u>2017</u>         |
|---|---------------------|---------------------|
| Mortgage payable to a bank; variable interest rate based on 0.875% below the bank's prime rate. First year was an interest only loan with a payment of \$6,521. Starting in April of 2013, escalating fixed principal and accrued interest is payable in monthly installments through February 2023 with the final payment of the balance plus accrued interest, if any, due April 2023. As of December 31, 2018 and 2017, the loan had an interest rate of 4.625% and 3.625%, respectively. The mortgage is collateralized by the Church's headquarters and studio located in Charlotte, North Carolina. | \$ 1,110,289        | \$ 1,261,730        |
| Vehicle loans payable to a finance company due in monthly installments ranging from \$498 to \$3,420, bearing interest rates ranging from 3.61% to 5.22%, maturing between July 2019 and March 2023, collateralized by vehicles with a total net book value of \$354,755 and \$396,020 at December 31, 2018 and 2017, respectively.   | <u>372,279</u>      | <u>500,183</u>      |
|   | 1,482,568           | 1,761,913           |
| Less current portion  | <u>(310,203)</u>    | <u>(329,866)</u>    |
|   | <u>\$ 1,172,365</u> | <u>\$ 1,432,047</u> |

In 2012, the Church entered into an interest rate swap on the bank mortgage. The economic substance of the swap agreement was to effectively convert the variable interest rate on this debt to a fixed rate of 3.03%. The notional amount outstanding under the swap agreement equals the scheduled principal amount outstanding under the debt, through the expiration of the swap agreement. Any payments made or received under the swap agreement are recognized when due as an increase or decrease in the related interest expense. At December 31, 2018, the fair value of the interest rate swap was considered immaterial to the consolidated financial statements and has therefore not been reflected in these consolidated financial statements.

Total interest expense for the years ended December 31, 2018 and 2017, was \$59,258 and \$105,004, respectively.

Subsequent to December 31, 2018, the church paid off all notes payable, capital lease obligations and terminated the interest rate swap agreement.

**Note 10—Line of credit**

The Church has a \$300,000 line of credit with a bank. The line of credit bears interest at Prime plus 0.25% but never to be less than 4%. The line is secured by substantially all assets of the Church and expires in June 2019. There were no borrowings under the line of credit at December 31, 2018 and 2017.

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

DECEMBER 31, 2018 AND 2017

**Note 11—Net assets with donor restriction**

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

|  | <u>2018</u>       | <u>2017</u>       |
|--|-------------------|-------------------|
| Subject to expenditure for specific purpose:       |                   |                   |
| Disaster relief                                    | \$ 175,992        | \$ 355,229        |
| Scholarships                                       | -                 | 41,833            |
| Other  | 107,033           | 56,717            |
|  | <u>283,025</u>    | <u>453,779</u>    |
| Subject to the passage of time:                    |                   |                   |
| Contribution receivable for the use of real estate | 139,675           | 82,815            |
|  | <u>\$ 422,700</u> | <u>\$ 536,594</u> |

**Note 12—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>2018</u>       | <u>2017</u>       |
|--|-------------------|-------------------|
| Disaster relief                                    | \$ 187,108        | \$ 4,000          |
| Contribution receivable for the use of real estate | 82,815            | 55,210            |
| Scholarships                                       | 41,833            | 18,031            |
| Internet infrastructure and outreach               | -                 | 200,000           |
| Other  | 64,412            | 31,822            |
|  | <u>\$ 376,168</u> | <u>\$ 309,063</u> |

During the year ended December 31, 2018, management determined that a disaster relief project was unable to be completed. Donor restricted funds of approximately \$186,000 included above as net assets released from restrictions, were returned to the donors.

**Note 13—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 Internal Revenue Code. The Church can elect to match a discretionary amount each year. For the year ended December 31, 2018, the Church matched 1% of eligible employee's contributions and expensed \$26,736. There were no matched amounts for the year ended December 31, 2017.

The Church provides discretionary post-employment 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, 2018 and 2017, the Church expensed payments for this purpose totaling approximately \$356,000 and \$433,000, respectively.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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### **Note 14—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.

A significant portion of the Church's support has historically been attributed to tithes and offerings from the members of the Church. The members are located throughout the United States and abroad. The amount of these contributions is influenced by economic conditions in the geographical area in which these members reside, as well as the number of active members in the Church.

### **Note 15—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, 2018 and 2017, the Church expended \$779,830 and \$654,558, respectively, related to these affiliates. The Church also had accounts receivables of \$50,143 and \$19,020 due from affiliated entities at December 31, 2018 and 2017, as well as accounts payable due to affiliated entities of \$120,065 and \$10,448 at December 31, 2018 and 2017, 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.

### **Note 16—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. All investments owned by the Church and shown in Note 3 are considered Level 1 assets. As such, the Church has Level 1 assets of \$273,522 and \$286,359 shown as investments in the accompanying consolidated statements of financial position at December 31, 2018 and 2017, respectively.
- 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 Church has no Level 2 assets or liabilities at December 31, 2018 or 2017.
- 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, 2018 or 2017.

### **Note 17—Subsequent events**

The Church has evaluated subsequent events through May 31, 2019, in connection with the preparation of these consolidated financial statements which is the date the consolidated financial statements were available to be issued.

## **SUPPLEMENTAL SCHEDULES**

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

DECEMBER 31, 2018

|  | <u>Living Church<br/>of God</u> | <u>Living Youth<br/>Program</u> | <u>Eliminations</u>        | <u>Consolidated</u>         |
|--|---------------------------------|---------------------------------|----------------------------|-----------------------------|
| <b>ASSETS</b>                                      |                                 |                                 |                            |                             |
| Current Assets:                                    |                                 |                                 |                            |                             |
| Cash and cash equivalents                          | \$ 2,677,947                    | \$ 7,831                        | \$ -                       | \$ 2,685,778                |
| Investments  | 438,655                         | -                               | (165,133)                  | 273,522                     |
| Receivables, net                                   | 3,855,975                       | 9,796                           | -                          | 3,865,771                   |
| Contribution receivables for use of<br>real estate | 27,935                          | -                               | -                          | 27,935                      |
| Inventory  | 225,510                         | -                               | -                          | 225,510                     |
| Prepaid expenses                                   | 236,999                         | 770                             | -                          | 237,769                     |
| Deposits   | 10,395                          | -                               | -                          | 10,395                      |
| Total Current Assets                               | <u>7,473,416</u>                | <u>18,397</u>                   | <u>(165,133)</u>           | <u>7,326,680</u>            |
| Contribution receivables for use of<br>real estate | 111,740                         | -                               | -                          | 111,740                     |
| Property and equipment, net                        | <u>3,176,140</u>                | <u>146,736</u>                  | <u>-</u>                   | <u>3,322,876</u>            |
| <b>Total Assets</b>                                | <u><u>\$ 10,761,296</u></u>     | <u><u>\$ 165,133</u></u>        | <u><u>\$ (165,133)</u></u> | <u><u>\$ 10,761,296</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>                  |                                 |                                 |                            |                             |
| Current Liabilities:                               |                                 |                                 |                            |                             |
| Accounts payable                                   | \$ 376,386                      | \$ -                            | \$ -                       | \$ 376,386                  |
| Accrued wages and other liabilities                | 376,524                         | -                               | -                          | 376,524                     |
| Notes payable                                      | 310,203                         | -                               | -                          | 310,203                     |
| Capital lease obligations                          | 12,303                          | -                               | -                          | 12,303                      |
| Total Current Liabilities                          | <u>1,075,416</u>                | <u>-</u>                        | <u>-</u>                   | <u>1,075,416</u>            |
| Notes payable                                      | <u>1,172,365</u>                | <u>-</u>                        | <u>-</u>                   | <u>1,172,365</u>            |
| <b>Total Liabilities</b>                           | <u><u>2,247,781</u></u>         | <u><u>-</u></u>                 | <u><u>-</u></u>            | <u><u>2,247,781</u></u>     |
| Net Assets:  |                                 |                                 |                            |                             |
| Without Donor Restrictions:                        |                                 |                                 |                            |                             |
| Undesignated                                       | 8,090,815                       | 165,133                         | (165,133)                  | 8,090,815                   |
| Total without Donor Restrictions                   | <u>8,090,815</u>                | <u>165,133</u>                  | <u>(165,133)</u>           | <u>8,090,815</u>            |
| With Donor Restrictions:                           |                                 |                                 |                            |                             |
| Subject to purpose restrictions                    | 422,700                         | -                               | -                          | 422,700                     |
| Total with Donor Restrictions                      | <u>422,700</u>                  | <u>-</u>                        | <u>-</u>                   | <u>422,700</u>              |
| <b>Total Net Assets</b>                            | <u><u>8,513,515</u></u>         | <u><u>165,133</u></u>           | <u><u>(165,133)</u></u>    | <u><u>8,513,515</u></u>     |
| <b>Total Liabilities and Net Assets</b>            | <u><u>\$ 10,761,296</u></u>     | <u><u>\$ 165,133</u></u>        | <u><u>\$ (165,133)</u></u> | <u><u>\$ 10,761,296</u></u> |

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

YEAR ENDED DECEMBER 31, 2018

|   | Living Church of God       |                         |               | Living University          |                         |           | Living Youth Program       |              | Consolidated               |                         |               |
|---|----------------------------|-------------------------|---------------|----------------------------|-------------------------|-----------|----------------------------|--------------|----------------------------|-------------------------|---------------|
|   | Without Donor Restrictions | With Donor Restrictions | Totals        | Without Donor Restrictions | With Donor Restrictions | Totals    | Without Donor Restrictions | Eliminations | Without Donor Restrictions | With Donor Restrictions | Totals        |
| Revenue and Support:                            |                            |                         |               |                            |                         |           |                            |              |                            |                         |               |
| Tithes and contributions                        | \$ 14,396,648              | \$ 169,570              | \$ 14,566,218 | \$ 32,281                  | \$ -                    | \$ 32,281 | \$ 5,945                   | \$ (55,210)  | \$ 14,379,664              | \$ 169,570              | \$ 14,549,234 |
| Holy Day offerings                              | 3,396,297                  | -                       | 3,396,297     | -                          | -                       | -         | -                          | -            | 3,396,297                  | -                       | 3,396,297     |
| LCG Subsidy                                     | -                          | -                       | -             | 229,928                    | -                       | 229,928   | 159,572                    | (389,500)    | -                          | -                       | -             |
| Net investment return                           | 21,754                     | -                       | 21,754        | 17                         | -                       | 17        | -                          | -            | 21,771                     | -                       | 21,771        |
| Estate gifts                                    | 1,255,500                  | -                       | 1,255,500     | -                          | -                       | -         | -                          | -            | 1,255,500                  | -                       | 1,255,500     |
| Camp revenue                                    | -                          | -                       | -             | -                          | -                       | -         | 99,088                     | -            | 99,088                     | -                       | 99,088        |
| Other revenue                                   | 2,192,679                  | -                       | 2,192,679     | 19,860                     | -                       | 19,860    | -                          | 403,459      | 2,615,998                  | -                       | 2,615,998     |
| Special project donations                       | -                          | 92,704                  | 92,704        | -                          | -                       | -         | -                          | -            | -                          | 92,704                  | 92,704        |
| Tuition and fees, net                           | -                          | -                       | -             | 38,862                     | -                       | 38,862    | -                          | -            | 38,862                     | -                       | 38,862        |
|   | 21,262,878                 | 262,274                 | 21,525,152    | 320,948                    | -                       | 320,948   | 264,605                    | (41,251)     | 21,807,180                 | 262,274                 | 22,069,454    |
| Net assets released from restrictions           | 251,520                    | (251,520)               | -             | 124,648                    | (124,648)               | -         | -                          | -            | 376,168                    | (376,168)               | -             |
| Total Revenue and Support                       | 21,514,398                 | 10,754                  | 21,525,152    | 445,596                    | (124,648)               | 320,948   | 264,605                    | (41,251)     | 22,183,348                 | (113,894)               | 22,069,454    |
| Expenses:                                       |                            |                         |               |                            |                         |           |                            |              |                            |                         |               |
| Program Services:                               |                            |                         |               |                            |                         |           |                            |              |                            |                         |               |
| Feeding the Flock                               | 10,167,514                 | -                       | 10,167,514    | 428,686                    | -                       | 428,686   | 277,036                    | (255,920)    | 10,617,316                 | -                       | 10,617,316    |
| Preaching the Gospel                            | 6,363,008                  | -                       | 6,363,008     | -                          | -                       | -         | -                          | (135,861)    | 6,227,147                  | -                       | 6,227,147     |
| Supporting Services:                            |                            |                         |               |                            |                         |           |                            |              |                            |                         |               |
| Management and General                          | 1,402,674                  | -                       | 1,402,674     | -                          | -                       | -         | -                          | (52,929)     | 1,349,745                  | -                       | 1,349,745     |
| Total Expenses                                  | 17,933,196                 | -                       | 17,933,196    | 428,686                    | -                       | 428,686   | 277,036                    | (444,710)    | 18,194,208                 | -                       | 18,194,208    |
| Other Changes:                                  |                            |                         |               |                            |                         |           |                            |              |                            |                         |               |
| Transfer of assets, liabilities, and net assets | 283,290                    | -                       | 283,290       | (283,290)                  | -                       | (283,290) | -                          | -            | -                          | -                       | -             |
| Total Other Changes                             | 283,290                    | -                       | 283,290       | (283,290)                  | -                       | (283,290) | -                          | -            | -                          | -                       | -             |
| Change in net assets                            | 3,864,492                  | 10,754                  | 3,875,246     | (266,380)                  | (124,648)               | (391,028) | (12,431)                   | 403,459      | 3,989,140                  | (113,894)               | 3,875,246     |
| Net assets, beginning of year                   | 4,226,323                  | 411,946                 | 4,638,269     | 266,380                    | 124,648                 | 391,028   | 177,564                    | (568,592)    | 4,101,675                  | 536,594                 | 4,638,269     |
| Net assets, end of year                         | \$ 8,090,815               | \$ 422,700              | \$ 8,513,515  | \$ -                       | \$ -                    | \$ -      | \$ 165,133                 | \$ (165,133) | \$ 8,090,815               | \$ 422,700              | \$ 8,513,515  |