

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES**

*As of and for the Years Ended December 31, 2020 and 2019*

*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

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, 2020 and 2019, 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 audit 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 the Church as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

*Cheryl Behrman LLP*

Charlotte, North Carolina  
April 29, 2021

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

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 11,121,111	\$ 3,970,700
Investments	312,837	235,568
Real estate held for sale	293,768	-
Receivables, net	6,373,594	5,515,033
Contributions receivable for use of real estate	27,935	55,870
Inventory	57,566	127,180
Prepaid expenses	547,817	473,398
Deposits	13,120	13,295
Total Current Assets	<u>18,747,748</u>	<u>10,391,044</u>
Contributions receivable for use of real estate	-	27,935
Property and equipment, net	<u>2,753,697</u>	<u>3,103,863</u>
<b>Total Assets</b>	<b><u>\$ 21,501,445</u></b>	<b><u>\$ 13,522,842</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 528,920	\$ 494,106
Accrued wages and other liabilities	471,303	415,585
Capital lease obligations	<u>14,043</u>	<u>13,165</u>
Total Current Liabilities	<u>1,014,266</u>	<u>922,856</u>
Noncurrent Liabilities:		
Capital lease obligations	<u>11,144</u>	<u>25,187</u>
Total Noncurrent Liabilities	<u>11,144</u>	<u>25,187</u>
Total Liabilities	<u>1,025,410</u>	<u>948,043</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	<u>20,126,876</u>	<u>12,216,492</u>
Total Without Donor Restrictions	<u>20,126,876</u>	<u>12,216,492</u>
With Donor Restrictions:		
Subject to purpose restrictions	321,224	274,502
Subject to time restrictions	<u>27,935</u>	<u>83,805</u>
Total With Donor Restrictions	<u>349,159</u>	<u>358,307</u>
Total Net Assets	<u>20,476,035</u>	<u>12,574,799</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 21,501,445</u></b>	<b><u>\$ 13,522,842</u></b>

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, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Revenue and Support:						
Tithes and contributions	\$ 15,533,525	\$ -	\$ 15,533,525	\$ 14,468,541	\$ -	\$ 14,468,541
Holy Day offerings	3,764,780	-	3,764,780	3,589,393	-	3,589,393
Net investment return	104,221	-	104,221	103,827	-	103,827
Estate gifts	4,970,929	-	4,970,929	410,241	-	410,241
Camp revenue	44,936	-	44,936	100,524	-	100,524
Other revenue	3,736,239	-	3,736,239	4,095,174	-	4,095,174
Special project contributions	-	89,318	89,318	-	126,706	126,706
	28,154,630	89,318	28,243,948	22,767,700	126,706	22,894,406
Net assets released from restrictions	98,466	(98,466)	-	191,099	(191,099)	-
Total Revenue and Support	28,253,096	(9,148)	28,243,948	22,958,799	(64,393)	22,894,406
Expenses:						
Program Services:						
Feeding the Flock	10,115,439	-	10,115,439	10,141,342	-	10,141,342
Preaching the Gospel	8,637,568	-	8,637,568	7,215,826	-	7,215,826
Supporting Services:						
Management and General	1,589,705	-	1,589,705	1,475,954	-	1,475,954
Total Expenses	20,342,712	-	20,342,712	18,833,122	-	18,833,122
Change in net assets	7,910,384	(9,148)	7,901,236	4,125,677	(64,393)	4,061,284
Net assets, beginning of year	12,216,492	358,307	12,574,799	8,090,815	422,700	8,513,515
Net assets, end of year	\$ 20,126,876	\$ 349,159	\$ 20,476,035	\$ 12,216,492	\$ 358,307	\$ 12,574,799

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, 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
<b>Total Expenses</b>	<b>\$ 10,115,439</b>	<b>\$ 8,637,568</b>	<b>\$ 18,753,007</b>	<b>\$ 1,589,705</b>	<b>\$ 20,342,712</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, 2019

	Program Services			Supporting Services	Totals
	Feeding the Flock	Preaching the Gospel	Total Program Expense	Management and General	
Salaries, wages, taxes, and benefits	\$ 4,720,315	\$ 1,963,463	\$ 6,683,778	\$ 868,908	\$ 7,552,686
Assistance to others	1,487,599	-	1,487,599	56,932	1,544,531
Depreciation and amortization	331,412	237,881	569,293	29,040	598,333
Facility expense	129,442	267,245	396,687	18,280	414,967
Hall and equipment rental	1,173,326	21,583	1,194,909	663	1,195,572
Insurance	1,159,924	522,728	1,682,652	167,771	1,850,423
Miscellaneous	95,895	165,952	261,847	16,001	277,848
Office expense	102,896	60,705	163,601	138,947	302,548
Magazines, periodicals, and booklets	15	338,335	338,350	-	338,350
Internet advertising and services	75,424	705,121	780,545	1,958	782,503
Postage and freight	95,839	984,573	1,080,412	10,690	1,091,102
Professional, legal, and contract services	123,043	276,622	399,665	151,745	551,410
Television broadcasting	-	1,570,954	1,570,954	-	1,570,954
Travel, meals, and professional development	646,212	100,664	746,876	15,019	761,895
<b>Total Expenses</b>	<b>\$ 10,141,342</b>	<b>\$ 7,215,826</b>	<b>\$ 17,357,168</b>	<b>\$ 1,475,954</b>	<b>\$ 18,833,122</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 7,901,236	\$ 4,061,284
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	544,088	598,333
Noncash lease expense	55,870	55,870
Net unrealized gain on investments	(71,865)	(57,256)
Gain on disposal of property and equipment	-	(14,615)
Donated investments	(5,404)	(4,086)
Noncash donation of real estate	(293,768)	-
Change in operating assets and liabilities:		
Receivables	(858,561)	(1,649,262)
Inventory	69,614	98,330
Prepaid expenses	(74,419)	(235,629)
Deposits	175	(2,900)
Accounts payable	34,814	117,720
Accrued wages and other liabilities	55,718	39,061
Net cash flows from operating activities	<u>7,357,498</u>	<u>3,006,850</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(193,922)	(361,964)
Proceeds from sale of property and equipment	-	38,661
Proceeds from sale of investments	-	99,296
Net cash flows from investing activities	<u>(193,922)</u>	<u>(224,007)</u>
<b>Cash flows from financing activities:</b>		
Principal payments on notes payable	-	(1,482,568)
Principal payments on capital lease obligations	(13,165)	(15,353)
Net cash flows from financing activities	<u>(13,165)</u>	<u>(1,497,921)</u>
Change in cash and cash equivalents	7,150,411	1,284,922
Cash and cash equivalents, beginning of year	3,970,700	2,685,778
Cash and cash equivalents, end of year	<u>\$ 11,121,111</u>	<u>\$ 3,970,700</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid during the year	<u>\$ 2,097</u>	<u>\$ 2,534</u>
<b>Supplemental disclosure of noncash investing activities:</b>		
Acquisition of property and equipment through capital leases	<u>\$ -</u>	<u>\$ 41,402</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, 2020 AND 2019

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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 (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, 2020 and 2019.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

*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, 2020 or 2019.

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.

*Investments* – Investments consisted of 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, 2020 AND 2019

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### **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, 2020 and 2019, was \$514,545 and \$321,694, 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, 2020 AND 2019

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### 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, 2020 AND 2019

**Note 2—Liquidity and availability**

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

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 11,121,111	\$ 3,970,700
Investments	312,837	235,568
Receivables, net	6,373,594	5,515,033
Contributions receivable for use of real estate	27,935	83,805
Total financial assets	<u>17,835,477</u>	<u>9,805,106</u>
Less amounts not available to be used for general expenditures within one year:		
Net assets subject to purpose restriction	321,224	274,502
Net assets subject to time restriction	-	27,935
Financial assets not available to meet general expenditures within one year	<u>321,224</u>	<u>302,437</u>
Financial assets available to meet general expenditures within one year	<u>\$ 17,514,253</u>	<u>\$ 9,502,669</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.

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 9. As of December 31, 2020 and 2019, \$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>2020</u>	<u>2019</u>
Precious metal coins	<u>\$ 312,837</u>	<u>\$ 235,568</u>

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

DECEMBER 31, 2020 AND 2019

**Note 4—Receivables**

Receivables at December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Gross estate receivables	\$ 1,930,237	\$ 763,984
Contributions receivable	255,945	786,909
Royalties receivable	3,479,203	3,818,084
Due from affiliated entities	18,840	28,764
Note receivable	84,908	89,685
Other receivables	<u>52,537</u>	<u>41,607</u>
	5,821,670	5,529,033
Less allowance for uncollectible receivables	<u>(14,000)</u>	<u>(14,000)</u>
Total receivables	<u>\$ 5,807,670</u>	<u>\$ 5,515,033</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 in July 2018. 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 \$2,065 each. The Church estimated the fair value of the leases at approximately \$167,610 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, 2020 and 2019, contributions receivable for the use of real estate is \$27,935 and \$83,805, respectively.

**Note 6—Prepaid expenses**

Prepaid expenses at December 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Television	\$ 160,477	\$ 187,016
Church hall rent	80,272	99,493
Postage	15,988	19,552
Insurance	179,860	57,786
Other	<u>111,220</u>	<u>109,551</u>
Total prepaid expenses	<u>\$ 547,817</u>	<u>\$ 473,398</u>

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

DECEMBER 31, 2020 AND 2019

**Note 7—Property and equipment**

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

	<u>2020</u>	<u>2019</u>
Land	\$ 517,100	\$ 517,100
Land improvements	10,670	10,670
Building and improvements	3,544,452	3,533,016
Leasehold improvements	140,761	80,959
Equipment, furniture, and software	3,083,277	2,992,271
Vehicles	1,366,449	1,366,449
Construction in progress	<u>22,677</u>	<u>15,000</u>
	8,685,386	8,515,465
Less accumulated depreciation	<u>(5,931,689)</u>	<u>(5,411,602)</u>
Property and equipment, net	<u>\$ 2,753,697</u>	<u>\$ 3,103,863</u>

Depreciation expense, including amortization on equipment and vehicles under capital lease, was \$544,088 and \$598,333 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, capital lease obligations were \$25,187 and \$38,352, respectively. The cost of equipment under capital leases is included as property and equipment and is summarized at December 31, as follows:

	<u>2020</u>	<u>2019</u>
Office equipment	\$ 41,402	\$ 41,402
Less accumulated amortization	<u>(18,401)</u>	<u>(4,600)</u>
	<u>\$ 23,001</u>	<u>\$ 36,802</u>

The future minimum payments under these leases are as follows:

2021	\$ 14,043
2022	<u>11,144</u>
	25,187
Less current maturity	<u>(14,043)</u>
	<u>\$ 11,144</u>



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

DECEMBER 31, 2020 AND 2019

**Note 9—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% with a minimum rate of 4%. The line is secured by substantially all assets of the Church and expires in June 2021. There were no borrowings under the line of credit at December 31, 2020 or 2019.

**Note 10—Net assets with donor restriction**

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose:		
Disaster relief	\$ 204,742	\$ 197,625
Other	116,482	76,877
	<u>321,224</u>	<u>274,502</u>
Subject to the passage of time:		
Contributions receivable for the use of real estate	27,935	83,805
	<u>\$ 349,159</u>	<u>\$ 358,307</u>

**Note 11—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>2020</u>	<u>2019</u>
Disaster relief	\$ 1,230	\$ -
Contribution receivable for the use of real estate	55,870	55,870
Other	41,366	135,229
	<u>\$ 98,466</u>	<u>\$ 191,099</u>

**Note 12—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, 2020 and 2019, the Church matched 1% of eligible employee's contributions and expensed \$58,732 and \$58,761, 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, 2020 and 2019, the Church expensed payments for this purpose totaling approximately \$281,000 and \$308,000, respectively.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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### **Note 13—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 14—Contingency**

During 2020, an outbreak of a novel strain on coronavirus (“COVID-19”) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Church’s revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

### **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, 2020 and 2019, the Church expended \$858,419 and \$710,539, respectively, related to these affiliates. The Church also had accounts receivables of \$18,840 and \$28,764 due from affiliated entities at December 31, 2020 and 2019, respectively, as well as accounts payable due to affiliated entities of \$251,632 and \$261,620 at December 31, 2020 and 2019, 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. The Church has no assets or liabilities subject to Level 1 valuations at December 31, 2020 or 2019.

*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.

*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, 2020 or 2019.

### **Note 17—Subsequent events**

The Church has evaluated subsequent events through April 29, 2021, 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, 2020

	<u>Living Church of God</u>	<u>Living Youth Program</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 11,088,203	\$ 32,908	\$ -	\$ 11,121,111
Investments	494,829	-	(181,992)	312,837
Real estate held for sale	293,768	-	-	293,768
Receivables, net	6,365,394	8,200	-	6,373,594
Contributions receivable for use of real estate	27,935	-	-	27,935
Inventory	57,566	-	-	57,566
Prepaid expenses	546,817	1,000	-	547,817
Deposits	13,120	-	-	13,120
Total Current Assets	18,887,632	42,108	(181,992)	18,747,748
Property and equipment, net	2,594,973	158,724	-	2,753,697
<b>Total Assets</b>	<b>\$ 21,482,605</b>	<b>\$ 200,832</b>	<b>\$ (181,992)</b>	<b>\$ 21,501,445</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts payable	\$ 528,920	\$ -	\$ -	\$ 528,920
Accrued wages and other liabilities	452,463	18,840	-	471,303
Capital lease obligations	14,043	-	-	14,043
Total Current Liabilities	995,426	18,840	-	1,014,266
Capital lease obligations	11,144	-	-	11,144
Total Liabilities	1,006,570	18,840	-	1,025,410
Net Assets:				
Without Donor Restrictions:				
Undesignated	20,126,876	181,992	(181,992)	20,126,876
Total Without Donor Restrictions	20,126,876	181,992	(181,992)	20,126,876
With Donor Restrictions:				
Subject to purpose restrictions	321,224	-	-	321,224
Subject to time restrictions	27,935	-	-	27,935
Total With Donor Restrictions	349,159	-	-	349,159
Total Net Assets	20,476,035	181,992	(181,992)	20,476,035
<b>Total Liabilities and Net Assets</b>	<b>\$ 21,482,605</b>	<b>\$ 200,832</b>	<b>\$ (181,992)</b>	<b>\$ 21,501,445</b>

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

YEAR ENDED DECEMBER 31, 2020

	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	\$ 15,527,485	\$ -	\$ 15,527,485	\$ 6,040	\$ -	\$ 15,533,525	\$ -	\$ 15,533,525
Holy Day offerings	3,764,780	-	3,764,780	-	-	3,764,780	-	3,764,780
LCG Subsidy	-	-	-	361,196	(361,196)	-	-	-
Net investment return	104,221	-	104,221	-	-	104,221	-	104,221
Estate gifts	4,970,929	-	4,970,929	-	-	4,970,929	-	4,970,929
Camp revenue	-	-	-	44,936	-	44,936	-	44,936
Other revenue	3,756,341	-	3,756,341	-	(20,102)	3,736,239	-	3,736,239
Special project contributions	-	89,318	89,318	-	-	-	89,318	89,318
	28,123,756	89,318	28,213,074	412,172	(381,298)	28,154,630	89,318	28,243,948
Net assets released from restrictions	98,466	(98,466)	-	-	-	98,466	(98,466)	-
Total Revenue and Support	28,222,222	(9,148)	28,213,074	412,172	(381,298)	28,253,096	(9,148)	28,243,948
Expenses:								
Program Services:								
Feeding the Flock	10,084,565	-	10,084,565	392,070	(361,196)	10,115,439	-	10,115,439
Preaching the Gospel	8,637,568	-	8,637,568	-	-	8,637,568	-	8,637,568
Supporting Services:								
Management and General	1,589,705	-	1,589,705	-	-	1,589,705	-	1,589,705
Total Expenses	20,311,838	-	20,311,838	392,070	(361,196)	20,342,712	-	20,342,712
Change in net assets	7,910,384	(9,148)	7,901,236	20,102	(20,102)	7,910,384	(9,148)	7,901,236
Net assets, beginning of year	12,216,492	358,307	12,574,799	161,890	(161,890)	12,216,492	358,307	12,574,799
Net assets, end of year	\$ 20,126,876	\$ 349,159	\$ 20,476,035	\$ 181,992	\$ (181,992)	\$ 20,126,876	\$ 349,159	\$ 20,476,035