

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

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

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PARTNERS:

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Living Church of God (International), Inc. and Affiliates (collectively, the Church), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Church as of December 31, 2023, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of the Church and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern for a reasonable period of time.

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

Supplemental Information

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

Prior Period Financial Statements and Comparative Information

The consolidated financial statements of the Church as of and for the year ended December 31, 2022, were audited by other auditors who expressed an unmodified opinion of those consolidated statements in their report dated May 22, 2023.

McCannon, Rogers, Driscoll & Associates, L.L.P.

Gastonia, North Carolina
August 8, 2024

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,210,659	\$ 6,096,186
Investments	6,544,734	6,421,637
Real estate held for sale	421,073	684,183
Receivables, net	1,313,264	926,954
Contributions receivable for use of real estate	30,500	91,500
Inventory	20,833	26,342
Prepaid expenses	526,769	529,527
Deposits	18,590	12,130
Total Current Assets	<u>12,086,422</u>	<u>14,788,459</u>
Property and equipment, net	2,681,764	3,013,350
Total Assets	<u>\$ 14,768,186</u>	<u>\$ 17,801,809</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 756,953	\$ 598,271
Accrued Wages and other liabilities	526,077	518,950
Total Current Liabilities	<u>1,283,030</u>	<u>1,117,221</u>
Net Assets		
Without Donor Restrictions:		
Undesignated	13,171,069	16,295,710
Total Without Donor Restrictions	<u>13,171,069</u>	<u>16,295,710</u>
With Donor Restrictions:		
Subject to purpose restrictions	283,587	297,378
Subject to time restrictions	30,500	91,500
Total With Donor Restrictions	<u>314,087</u>	<u>388,878</u>
Total Net Assets	13,485,156	16,684,588
Total Liabilities and Net Assets	<u>\$ 14,768,186</u>	<u>\$ 17,801,809</u>

See notes to financial statements

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Tithes and contributions	\$ 18,250,854	\$ -	\$ 18,250,854	\$ 16,814,057	\$ -	\$ 16,814,057
Holy Day offerings	4,275,614	-	4,275,614	4,251,809	-	4,251,809
Net investment return	405,675	-	405,675	(100,070)	-	(100,070)
Estate gifts	357,047	-	357,047	21,141	-	21,141
Contributed nonfinancial assets	-	-	-	684,183	-	684,183
Camp revenue	67,868	-	67,868	64,472	-	64,472
Other revenue	417,757	-	417,757	1,612,523	-	1,612,523
Special project contributions	-	38,457	38,457	-	43,718	43,718
	<u>23,774,815</u>	<u>38,457</u>	<u>23,813,272</u>	<u>23,348,115</u>	<u>43,718</u>	<u>23,391,833</u>
Net assets released from restrictions	113,248	(113,248)	-	110,164	(110,164)	-
Total Revenue and Support	<u>23,888,063</u>	<u>(74,791)</u>	<u>23,813,272</u>	<u>23,458,279</u>	<u>(66,446)</u>	<u>23,391,833</u>
Expenses						
Program Services:						
Feeding the Flock	12,867,038	-	12,867,038	12,594,561	-	12,594,561
Preaching the Gospel	12,215,814	-	12,215,814	12,315,997	-	12,315,997
Supporting Services:						
Management and general	<u>1,929,852</u>	<u>-</u>	<u>1,929,852</u>	<u>1,807,562</u>	<u>-</u>	<u>1,807,562</u>
Total Expenses	<u>27,012,704</u>	<u>-</u>	<u>27,012,704</u>	<u>26,718,120</u>	<u>-</u>	<u>26,718,120</u>
Change in net assets	(3,124,641)	(74,791)	(3,199,432)	(3,259,841)	(66,446)	(3,326,287)
Net assets, beginning of year	<u>16,295,710</u>	<u>388,878</u>	<u>16,684,588</u>	<u>19,555,551</u>	<u>455,324</u>	<u>20,010,875</u>
Net assets, end of year	<u>\$ 13,171,069</u>	<u>\$ 314,087</u>	<u>\$ 13,485,156</u>	<u>\$ 16,295,710</u>	<u>\$ 388,878</u>	<u>\$ 16,684,588</u>

See notes to financial statements

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Services			Supporting Services	Totals
	Feeding the Flock	Preaching the Gospel	Total Program Expense	Management and General	
Salaries, wages, taxes, and benefits	\$ 5,831,964	\$ 2,802,966	\$ 8,634,930	\$ 1,010,061	\$ 9,644,991
Assistance to others	1,994,929	-	1,994,929	61,000	2,055,929
Depreciation and amortization	387,857	213,239	601,096	29,262	630,358
Facility expense	130,093	89,592	219,685	22,870	242,555
Hall and equipment rental	1,478,327	53,288	1,531,615	839	1,532,454
Insurance	1,614,641	746,748	2,361,389	201,787	2,563,176
Miscellaneous	229,624	169,614	399,238	22,376	421,614
Office expense	102,443	91,122	193,565	286,219	479,784
Magazines, periodicals, and booklets	75,462	1,747,333	1,822,795	3,329	1,826,124
Internet advertising and services	-	767,783	767,783	-	767,783
Postage and freight	227,110	2,521,164	2,748,274	27,331	2,775,605
Professional, legal, and contract services	189,662	237,559	427,221	256,580	683,801
Television broadcasting	-	2,707,263	2,707,263	-	2,707,263
Travel, meals, and professional development	604,926	68,143	673,069	8,198	681,267
Total expenses	<u>\$ 12,867,038</u>	<u>\$ 12,215,814</u>	<u>\$ 25,082,852</u>	<u>\$ 1,929,852</u>	<u>\$ 27,012,704</u>

See notes to financial statements

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	Program Services			Supporting Services	Totals
	Feeding the Flock	Preaching the Gospel	Total Program Expense	Management and General	
Salaries, wages, taxes, and benefits	\$ 5,703,990	\$ 2,752,609	\$ 8,456,599	\$ 912,669	\$ 9,369,268
Assistance to others	1,993,421	-	1,993,421	61,000	2,054,421
Depreciation and amortization	386,955	189,689	576,644	30,618	607,262
Facility expense	127,892	96,429	224,321	31,064	255,385
Hall and equipment rental	1,347,896	54,442	1,402,338	815	1,403,153
Insurance	1,568,006	731,328	2,299,334	184,502	2,483,836
Miscellaneous	194,162	201,402	395,564	19,555	415,119
Office expense	96,982	99,185	196,167	242,647	438,814
Magazines, periodicals, and booklets	98,006	1,823,148	1,921,154	6,887	1,928,041
Internet advertising and services	-	908,882	908,882	-	908,882
Postage and freight	221,015	2,499,948	2,720,963	27,127	2,748,090
Professional, legal, and contract services	183,254	239,916	423,170	278,992	702,162
Television broadcasting	-	2,658,363	2,658,363	-	2,658,363
Travel, meals, and professional development	672,982	60,656	733,638	11,686	745,324
Total Expenses	<u>\$ 12,594,561</u>	<u>\$ 12,315,997</u>	<u>\$ 24,910,558</u>	<u>\$ 1,807,562</u>	<u>\$ 26,718,120</u>

See notes to financial statements

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,199,432)	\$ (3,326,287)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	630,358	607,262
Noncash lease contribution and change in receivables	61,000	61,000
Net unrealized loss (gain) on investments	(132,127)	239,109
Gain on disposal of property and equipment	(9,000)	(42,582)
Donated investments	(131,263)	(8,621)
Noncash donation of real estate	-	(684,183)
Change in operating assets and liabilities:		
Receivables	(386,310)	11,408
Inventory	5,509	9,987
Prepaid expenses	2,758	6,659
Deposits	(6,460)	290
Accounts payable	158,682	177,638
Accrued wages and other liabilities	7,127	33,490
Net cash flows from operating activities	<u>(2,999,158)</u>	<u>(2,914,830)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(298,772)	(540,870)
Proceeds from sale of property and equipment	9,000	46,597
Proceeds from sale of investments	848,857	150,688
Purchases of investments	(445,454)	(2,309,552)
Net cash flows from investing activities	<u>113,631</u>	<u>(2,653,137)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principle payments on lease obligations	-	(11,144)
Net cash flows from financing activities	<u>-</u>	<u>(11,144)</u>
Change in cash and cash equivalents	(2,885,527)	(5,579,111)
Cash and cash equivalents, beginning of year	6,096,186	11,675,297
Cash and cash equivalents, end of year	<u>\$ 3,210,659</u>	<u>\$ 6,096,186</u>

See notes to financial statements

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note A - 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 (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 GAAP. Resources are classified into two net asset categories based on the existence or absence of donor-imposed restrictions.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

Note A - Organization and summary of significant accounting policies (continued)

Basis of Presentation (continued)

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, 2023 or 2022.

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, 2023 or 2022.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

Note A - Organization and summary of significant accounting policies (continued)

Contribution Revenue - continued

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 contributions in the accompanying consolidated statements of activities.

Contributed Nonfinancial Assets:

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.

Property Gifts – Property gifts are contributed nonfinancial assets that consist of land and houses gifted to the Church. The Church recognizes contributed nonfinancial assets within revenue and support. During the year ended December 31, 2022, none of the contributed nonfinancial assets had donor-imposed restrictions. It is the Church's policy to sell all contributed property immediately upon receipt of an acceptable offer based on comparable real estate sales prices. The contributed assets were valued at list price less commission based on third party real estate agents' best determination of real estate value. There were no property gifts received during the year ended December 31, 2023.

Contributions Receivable for Use of Real Estate – Contributions for the use of real estate are below fair value operating leases with a Church congregation member. 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, April 2021, at an annual cost of \$2,541 each. The Church estimated the fair value of the leases at approximately \$183,000 based on comparable market rates. In accordance with 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, 2023 and 2022, contributions receivable for the use of real estate is \$30,500 and \$91,500, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

Note A - Organization and summary of significant accounting policies (continued)

Other Revenue

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

Cash and Cash Equivalents

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

Investments

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

Receivables

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

Inventories

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

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

Note A - Organization and summary of significant accounting policies (continued)

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.

Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated 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, 2023 and 2022, was \$767,783 and \$908,882, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

Note A - Organization and summary of significant accounting policies (continued)

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.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

Note B - Liquidity and availability

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

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,210,659	\$ 6,096,186
Investments	6,544,734	6,421,637
Receivables, net	1,313,264	926,954
Total financial assets	<u>11,068,657</u>	<u>13,444,777</u>
Less amounts not available to be used for general expenditures within one year:		
Net assets subject to purpose restriction	<u>283,587</u>	<u>297,378</u>
Financial assets not available to meet general expenditures within one year	<u>283,587</u>	<u>297,378</u>
Financial assets available to meet general expenditures within one year	<u>\$ 10,785,070</u>	<u>\$ 13,147,399</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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

Note C – Investments

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

	2023	2022
Money market	\$ 1,080,637	\$ 31,402
Certificates of deposit	651,000	3,443,818
Fixed income	1,005,173	950,332
Precious metal coins	394,487	242,914
U.S. Treasury/Agency Securities	3,413,437	1,220,555
U.S. Mutual funds	-	532,616
	<u>\$ 6,544,734</u>	<u>\$ 6,421,637</u>

Note D – Receivables

Receivables at December 31 are as follows:

	2023	2022
Gross estate receivables	\$ 833,547	\$ 585,715
Contributions receivable	363,411	228,598
Due from affiliated entities	12,170	5,883
Note receivables	57,745	66,683
Other receivables	60,391	54,075
	<u>1,327,264</u>	<u>940,954</u>
Less allowance for uncollectable receivables	(14,000)	(14,000)
Total receivables	<u>\$ 1,313,264</u>	<u>\$ 926,954</u>

Note E – Prepaid Expenses

Prepaid expenses at December 31 are as follows:

	2023	2022
Television	\$ 213,940	\$ 220,857
Church hall rent	100,329	100,374
Postage	11,481	50,762
Insurance	99,224	95,380
Other	101,795	62,154
Total prepaid expenses	<u>\$ 526,769</u>	<u>\$ 529,527</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

Note F – Property and Equipment

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

	2023	2022
Land	\$ 517,100	\$ 517,100
Land improvements	66,978	66,978
Building and improvements	3,555,490	3,547,028
Leasehold improvements	140,761	140,761
Equipment, furniture, and software	3,555,736	3,454,326
Vehicles	1,831,230	1,829,747
Construction in progress	13,823	-
	<u>9,681,118</u>	<u>9,555,940</u>
Less accumulated depreciation	(6,999,354)	(6,542,590)
Property and equipment net	<u>\$ 2,681,764</u>	<u>\$ 3,013,350</u>

Depreciation expense, including amortization on equipment and vehicles under capital lease, was \$630,358 and \$607,262 for the years ended December 31, 2023 and 2022, respectively.

Note G - Net assets with donor restriction

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

	2023	2022
Subject to expenditure for specific purpose:		
Disaster relief	\$ 210,617	\$ 211,711
Other	72,970	85,667
	<u>283,587</u>	<u>297,378</u>
Subject to the passage of time:		
Contributions receivable for the use of real estate	30,500	91,500
	<u>\$ 314,087</u>	<u>\$ 388,878</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

Note H - 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>2023</u>	<u>2022</u>
Disaster relief	\$ 2,356	\$ 1,820
Contribution receivable for the use of real estate	61,000	61,000
Other	49,892	47,344
	<u>\$ 113,248</u>	<u>\$ 110,164</u>

Note I - 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, 2023 and 2022, the Church matched 2% of eligible employee's contributions and expensed \$119,913 and \$116,250, 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, 2023 and 2022, the Church expensed payments for this purpose totaling \$243,439 and \$281,000, respectively.

Note J - 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 K - 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, 2023 and 2022, the Church expended \$1,398,064 and \$1,285,954, respectively, related to these affiliates. The Church also had accounts receivables of \$12,170 and \$5,883 due from affiliated entities at December 31, 2023 and 2022, respectively, as well as accounts payable due to affiliated entities of \$323,125 and \$265,359 at December 31, 2023 and 2022, respectively, included in the accompanying consolidated statements of financial position.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

Note L - Fair value measurements of assets and liabilities

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

Level 1 – Financial instruments with unadjusted, quoted prices listed on active market exchanges. The Church has certificates of deposits, fixed income securities, U.S. mutual funds, and U.S. Treasury Obligations shown in Note C that are considered Level 1 assets at December 31, 2023 and 2022.

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 C are considered Level 2 assets at December 31, 2023 and 2022.

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, 2023 or 2022.

Note M - Subsequent events

The Church has evaluated subsequent events through August 8, 2024, 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, 2023

	<u>Living Church of God</u>	<u>Living Youth Program</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,117,923	\$ 92,736	\$ -	\$ 3,210,659
Investments	6,701,121	-	(156,387)	6,544,734
Real estate held for sale	421,073	-	-	421,073
Receivables, net	1,310,642	2,622	-	1,313,264
Contributions receivable for use of real estate	30,500	-	-	30,500
Inventory	20,833	-	-	20,833
Prepaid expenses	524,061	2,708	-	526,769
Deposits	18,590	-	-	18,590
Total Current Assets	<u>12,144,743</u>	<u>98,066</u>	<u>(156,387)</u>	<u>12,086,422</u>
Property and equipment, net	<u>2,608,089</u>	<u>73,675</u>	<u>-</u>	<u>2,681,764</u>
Total Assets	<u><u>\$14,752,832</u></u>	<u><u>\$ 171,741</u></u>	<u><u>\$ (156,387)</u></u>	<u><u>\$14,768,186</u></u>
 LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable	\$ 741,599	\$ 15,354	\$ -	\$ 756,953
Accrued Wages and other liabilities	<u>526,077</u>	<u>-</u>	<u>-</u>	<u>526,077</u>
Total Current Liabilities	<u>1,267,676</u>	<u>15,354</u>	<u>-</u>	<u>1,283,030</u>
 Net Assets				
Without Donor Restrictions:				
Undesignated	<u>13,171,069</u>	<u>156,387</u>	<u>(156,387)</u>	<u>13,171,069</u>
Total Without Donor Restrictions	<u>13,171,069</u>	<u>156,387</u>	<u>(156,387)</u>	<u>13,171,069</u>
With Donor Restrictions:				
Subject to purpose restrictions	<u>283,587</u>	<u>-</u>	<u>-</u>	<u>283,587</u>
Subject to time restrictions	<u>30,500</u>	<u>-</u>	<u>-</u>	<u>30,500</u>
Total With Donor Restrictions	<u>314,087</u>	<u>-</u>	<u>-</u>	<u>314,087</u>
Total Net Assets	<u>13,485,156</u>	<u>156,387</u>	<u>(156,387)</u>	<u>13,485,156</u>
Total Liabilities and Net Assets	<u><u>\$14,752,832</u></u>	<u><u>\$ 171,741</u></u>	<u><u>\$ (156,387)</u></u>	<u><u>\$14,768,186</u></u>

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

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2023

	Living Church of God			Living Youth Program		Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	Eliminations	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:								
Tithes and contributions	\$ 18,250,854	\$ -	\$ 18,250,854	\$ -	\$ -	\$ 18,250,854	\$ -	\$ 18,250,854
Holy Day offerings	4,275,614	-	4,275,614	-	-	4,275,614	-	4,275,614
LCG subsidy	-	-	-	106,657	(106,657)	-	-	-
Net investment return	405,675	-	405,675	-	-	405,675	-	405,675
Estate gifts	357,047	-	357,047	-	-	357,047	-	357,047
Camp revenue	-	-	-	67,868	-	67,868	-	67,868
Other revenue	385,544	-	385,544	10,202	22,011	417,757	-	417,757
Special project contributions	-	38,457	38,457	-	-	-	38,457	38,457
	<u>23,674,734</u>	<u>38,457</u>	<u>23,713,191</u>	<u>184,727</u>	<u>(84,646)</u>	<u>23,774,815</u>	<u>38,457</u>	<u>23,813,272</u>
Net assets released from restrictions	113,248	(113,248)	-	-	-	113,248	(113,248)	-
Total revenue and support	<u>23,787,982</u>	<u>(74,791)</u>	<u>23,713,191</u>	<u>184,727</u>	<u>(84,646)</u>	<u>23,888,063</u>	<u>(74,791)</u>	<u>23,813,272</u>
Expenses								
Program Services:								
Feeding the Flock	12,766,957	-	12,766,957	206,738	(106,657)	12,867,038	-	12,867,038
Preaching the Gospel	12,215,814	-	12,215,814	-	-	12,215,814	-	12,215,814
Supporting Services:								
Management and general	1,929,852	-	1,929,852	-	-	1,929,852	-	1,929,852
Total expenses	<u>26,912,623</u>	<u>-</u>	<u>26,912,623</u>	<u>206,738</u>	<u>(106,657)</u>	<u>27,012,704</u>	<u>-</u>	<u>27,012,704</u>
Change in net assets	(3,124,641)	(74,791)	(3,199,432)	(22,011)	22,011	(3,124,641)	(74,791)	(3,199,432)
Net assets, beginning of year	16,295,710	388,878	16,684,588	178,398	(178,398)	16,295,710	388,878	16,684,588
Net assets, end of year	<u>\$ 13,171,069</u>	<u>\$ 314,087</u>	<u>\$ 13,485,156</u>	<u>\$ 156,387</u>	<u>\$ (156,387)</u>	<u>\$ 13,171,069</u>	<u>\$ 314,087</u>	<u>\$ 13,485,156</u>