

CHURCH EXTENSION PLAN  
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(503) 399-0552 or (800) 821-1112

\$200,000,000

### VISION UNSECURED PROMISSORY NOTES

Six-months (6) to five-year (5) maturity  
Interest rate: determined at time of issuance; currently ranging from .75% to 3.0%  
Interest payments: monthly, quarterly, semi-annually, or annually; Investor's option  
Interest may be retained or compounded

Church Extension Plan ("CEP") is hereby offering a total of \$200,000,000 of its investment obligations known as Vision Unsecured Promissory Notes ("Note" or "Notes"), which are available exclusively to members of, contributors to (including investors), or participants in the Assemblies of God, CEP, or any program, activity or organization which constitutes a part of the Assemblies of God, CEP, or other religious organizations that have a programmatic relationship with the Assemblies of God or CEP.

	Price to Investors	Underwriting, Discounts & Commissions	Proceeds to CEP
Per Note	100%	None	100%
Total	\$200,000,000	None	\$200,000,000

CEP has taken or is taking all steps necessary and required under applicable state securities laws to ensure compliance with the registration or exemption provisions in all states in which it intends to offer or sell its Notes.

These securities are offered only through licensed salespersons who are salaried employees of CEP. No underwriting or selling agreements exist.

THIS OFFERING IS SUBJECT TO CERTAIN RISKS.

(SEE RISK FACTORS BEGINNING AT PAGE 16)

THESE SECURITIES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK. THESE SECURITIES ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, ANY STATE BANK INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY, AND ARE SUBJECT TO INVESTMENT RISK, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, NOR HAS THE FEDERAL DEPOSIT INSURANCE CORPORATION PASSED ON THE ACCURACY OF THE DISCLOSURES MADE HEREIN. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THESE SECURITIES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY THE ASSEMBLIES OF GOD, OR BY ANY CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH THE ASSEMBLIES OF GOD.

FOR RESIDENTS OF ALL STATES

THESE SECURITIES MAY EITHER BE REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES OR JURISDICTIONS IN WHICH THEY ARE OFFERED OR SOLD BY THE ISSUER. THIS OFFERING CIRCULAR HAS BEEN FILED WITH THE SECURITIES ADMINISTRATORS IN SUCH STATES OR JURISDICTIONS THAT REQUIRE SUCH FILING FOR REGISTRATION OR EXEMPTION.

THESE SECURITIES ARE NOT REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES ARE ISSUED UNDER A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 3(A)(4) OF THE SECURITIES ACT OF 1933, AS AMENDED. THESE SECURITIES ARE ALSO EXEMPT FROM REGISTRATION OR ARE REGISTERED IN THE STATES WHERE THEY ARE QUALIFIED FOR SALE AND WILL BE OFFERED. NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES WILL NOT BE OFFERED IN ANY STATE WHERE RESTRICTIONS OR REQUIRED REGISTRATION IS NOT COMPLETE.

IN MAKING AN INVESTMENT DECISION, THE INVESTOR MUST RELY ON HIS/HER OWN EXAMINATION OF THE ISSUER AND THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR, INCLUDING THE TERMS OF THE OFFERING AND THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR DIVISION OR OTHER REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE INVESTOR SHOULD BE AWARE THAT HE/SHE MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

NO OTHER PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED ON AS HAVING BEEN MADE BY THE ISSUER. THERE IS PRESENTLY NO MARKET FOR THESE SECURITIES AND THERE IS NO ASSURANCE THAT A MARKET WILL DEVELOP IN THE FUTURE.

INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF SECURITIES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO HIS/HER OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.

#### ALABAMA RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE ALABAMA SECURITIES ACT, SECTION 8-6-10(8). THE ISSUER HAS FILED A NOTICE OF THIS OFFERING WITH THE ALABAMA SECURITIES COMMISSION PURSUANT TO SECTION 8-6-10(8) OF THE ALABAMA SECURITIES ACT. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

#### ALASKA RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED, AND IS EXEMPT FROM REGISTRATION UNDER THE ALASKA SECURITIES ACT, SECTION 45.56.110(7).

#### ARKANSAS RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF TRANSACTION EXEMPTION UNDER SECTION 23-42-504(a)(9) OF THE ARKANSAS SECURITIES ACT. THE ISSUER HAS FILED AN EXEMPTION FILING PURSUANT TO RULE 504.01(a)(9) OF THE ARKANSAS SECURITIES COMMISSIONER AND ALL SECURITIES TO BE ISSUED TO ARKANSAS RESIDENTS WILL BEAR RESTRICTIVE LEGEND AS REQUIRED BY RULE 504.01(a)(9), AS FOLLOWS:

**RESTRICTION ON TRANSFER:** The security represented by this certificate has been executed pursuant to an exemption from registration under the Securities Act of 1933 and the Arkansas Securities Act in reliance upon the representation of the holder hereof that the same is acquired for investment purposes. This note may accordingly not be resold or otherwise transferred or

conveyed in the absence of registration of the same pursuant to the applicable securities laws or unless an opinion of counsel satisfactory to the issuer is first obtained that such is not then necessary. Any transfer contrary hereto is void.

The investment may not exceed ten percent (10%) of any unaccredited purchaser's net worth (net worth excludes home, furnishings and automobiles).

#### CALIFORNIA RESIDENTS

Investors must have either (i) a minimum net worth of at least \$70,000 and had a minimum gross income of \$70,000 during the last tax year and will have (based on a good faith estimate) a minimum gross income of \$70,000 during the current tax year, or in the alternative (ii) a minimum net worth of \$250,000. In either case the investment shall not exceed 10 percent of the net worth of the investor. A "small investor" who, including this offering, has not purchased more than \$2,500 worth of this issuer's securities in the past twelve (12) months may also purchase the securities in this offering (up to a maximum of \$2,500). Net worth shall be determined exclusive of homes, home furnishings and automobiles.

Automatic renewal upon maturity of a Note, as provided in this Offering Circular, is not available to investors who are California residents. All California investors will receive a maturity notice and a current Offering Circular within 30 days of each maturity date, and California investors will have the opportunity to notify CEP if they intend to renew their investments. If renewal is not requested, investor's funds will be promptly returned. Renewals can be made only if CEP is qualified to make sales in the state of California.

**RESTRICTION ON TRANSFER - IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFORE, WITHOUT THE PRIOR WRITTEN CONSENT OF THE CALIFORNIA COMMISSIONER OF BUSINESS OVERSIGHT OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES.**

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THIS OFFERING OF SECURITIES IS AUTHORIZED BY PERMIT GRANTED BY THE COMMISSIONER OF BUSINESS OVERSIGHT OF THE STATE OF CALIFORNIA. THE COMMISSIONER OF BUSINESS OVERSIGHT DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF THE SECURITIES NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR.**

#### COLORADO RESIDENTS

**THIS OFFERING OF SECURITIES IS NOT REGISTERED AND IS EXEMPT FROM REGISTRATION UNDER SECTION 11-51-307(1)(g) AND RULE 51-3.15 OF THE COLORADO REVISED STATUTES FOR SECURITIES EXEMPTION.**

### CONNECTICUT RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED AND IS EXEMPT FROM REGISTRATION UNDER THE CONNECTICUT UNIFORM SECURITIES ACT (CUSA), SECTION 36b-21(a)(9).

### DELAWARE RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED, AND IS EXEMPT FROM REGISTRATION UNDER THE DELAWARE SECURITIES ACT, SECTION 73-207(a)(9).

### DISTRICT OF COLUMBIA RESIDENTS

THESE SECURITIES ARE OFFERED FOR SALE IN THE DISTRICT OF COLUMBIA PURSUANT TO SECTION 401(8) OF THE SECURITIES ACT OF 2000 [SECTION 31-5604.01(8) OF THE DISTRICT OF COLUMBIA OFFICIAL CODE]. AN EXEMPTION FROM THE REGISTRATION REQUIREMENT DOES NOT CONSTITUTE A FINDING BY THE DISTRICT OF COLUMBIA DEPARTMENT OF INSURANCE AND SECURITIES THAT THIS OFFERING CIRCULAR IS TRUE, COMPLETE, AND NOT MISLEADING. THE DEPARTMENT OF INSURANCE AND SECURITIES HAS NOT PASSED IN ANY WAY ON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL TO THESE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

### FLORIDA RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED AND IS EXEMPT FROM REGISTRATION UNDER THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT, SECTION 517.051(9).

### GEORGIA RESIDENTS

THESE SECURITIES ARE EXEMPT FROM REGISTRATION UNDER THE GEORGIA UNIFORM SECURITIES ACT OF 2008, SECTION 10-5-10(7)(a) OF THE OFFICIAL CODE OF GEORGIA ANNOTATED. THE ISSUER HAS FILED A NOTICE OF THIS OFFERING WITH THE OFFICE OF THE GEORGIA SECRETARY OF STATE, COMMISSIONER OF SECURITIES PURSUANT TO RULE 590-4-2-.07 OF THE RULES AND REGULATIONS OF THE COMMISSIONER. THE COMMISSIONER HAS NOT PASSED ON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

### HAWAII RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED AND IS EXEMPT FROM REGISTRATION UNDER THE UNIFORM SECURITIES ACT OF HAWAII, SECTION 485A-201(7).

### IDAHO RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED AND IS EXEMPT FROM REGISTRATION UNDER THE IDAHO UNIFORM SECURITIES ACT (2004), SECTION 30-14-201(7). THE FACT THAT A SECURITY IS EXEMPT FROM REGISTRATION DOES NOT CONSTITUTE AN APPROVAL OR EVALUATION OF THE MERITS OF THE

SECURITY BY THE IDAHO DEPARTMENT OF FINANCE. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

ILLINOIS RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED AND IS EXEMPT FROM REGISTRATION UNDER THE ILLINOIS SECURITIES LAW OF 1953, 815 ILCS 5/3 H.

INDIANA RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF TRANSACTION EXEMPTION UNDER SECTION 23-19-2-2(14) OF THE INDIANA UNIFORM SECURITIES ACT AND SECTION 710 OF THE INDIANA ADMINISTRATIVE CODE 4-2-1. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE INDIANA SECURITIES DIVISION. THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF OR RECOMMENDED OR GIVEN APPROVAL TO, THE SECURITIES HEREBY OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IOWA RESIDENTS

THESE SECURITIES ARE EXEMPT FROM REGISTRATION UNDER THE IOWA UNIFORM SECURITIES ACT, SECTION 502.201(7). THE ISSUER HAS FILED A NOTICE OF THIS OFFERING AND APPLICATION FOR EXEMPTION WITH IOWA INSURANCE DIVISION PURSUANT TO IOWA ADMINISTRATIVE CODE 191-50.87(502). THE IOWA INSURANCE DIVISION HAS NOT PASSED ON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

KANSAS RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF TRANSACTION EXEMPTION UNDER SECTION 17-12a-202(14) OF THE KANSAS UNIFORM SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE KANSAS SECURITIES COMMISSIONER. THE SECURITIES COMMISSIONER DOES NOT RECOMMEND NOR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

LOUISIANA RESIDENTS

THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES COMMISSIONER OF THE STATE OF LOUISIANA. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF ANY OF THESE SECURITIES.

### MAINE RESIDENTS

THIS OFFERING OF SECURITIES IS EXEMPT FROM REGISTRATION UNDER THE MAINE UNIFORM SECURITIES ACT, SECTION 16201.7.

### MARYLAND RESIDENTS

These securities are offered for sale in Maryland pursuant to a regulatory exemption from registration, Section 11-601(9) of the Maryland Securities Act. The Division of Securities of the Office of the Attorney General of Maryland has not reviewed the information nor passed in any way upon the merits of, recommended, or given approval to the securities. Any representation to the contrary is a criminal offense.

### MASSACHUSETTS RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED AND IS EXEMPT FROM REGISTRATION UNDER THE UNIFORM SECURITIES ACT OF MASSACHUSETTS, SECTION 402(a)(9).

### MICHIGAN RESIDENTS

THIS OFFERING OF SECURITIES IS AUTHORIZED BY REGISTRATION ORDER FROM THE DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS FOR THE STATE OF MICHIGAN PURSUANT TO THE MICHIGAN UNIFORM SECURITIES ACT, SECTION 304, MCL 451.2304. THE DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF THE SECURITIES NOR HAS THE DEPARTMENT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

### MINNESOTA RESIDENTS

THESE SECURITIES ARE EXEMPT FROM REGISTRATION UNDER THE MINNESOTA SECURITIES ACT, SECTION 80A.45(7). THE ISSUER HAS FILED A NOTICE OF THIS OFFERING WITH THE STATE OF MINNESOTA, DEPARTMENT OF COMMERCE PURSUANT TO SECTION 80A.45(7) OF THE MINNESOTA SECURITIES ACT. THE DEPARTMENT OF COMMERCE HAS NOT PASSED ON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL TO THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

### MISSISSIPPI RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED, AND IS EXEMPT FROM REGISTRATION UNDER THE MISSISSIPPI SECURITIES ACT, SECTION 75-71-201(7).

### MISSOURI RESIDENTS

THESE SECURITIES ARE EXEMPT FROM REGISTRATION UNDER SECTION 409.2-201(7) OF THE MISSOURI REVISED STATUTES (MO REV STAT). THE ISSUER HAS FILED A NOTICE OF THIS OFFERING WITH THE OFFICE OF THE MISSOURI SECRETARY OF STATE, SECURITIES DIVISION PURSUANT TO MO REV STAT SECTION 409.2-207(B) AND MISSOURI CODE OF STATE REGULATIONS SECTION

30-54.070. THE SECURITIES DIVISION HAS NOT PASSED ON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

#### MONTANA RESIDENTS

THESE SECURITIES ARE EXEMPT FROM REGISTRATION UNDER THE MONTANA SECURITIES ACT. THE ISSUER HAS FILED A NOTICE OF THIS OFFERING WITH THE STATE OF MONTANA, COMMISSIONER OF SECURITIES AND INSURANCE PURSUANT TO THE MONTANA CODE ANNOTATED SECTION 30-10-104(1) AND/OR (8). THE STATE OF MONTANA COMMISSIONER OF SECURITIES AND INSURANCE HAS NOT PASSED ON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL TO THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

#### NEVADA RESIDENTS

THESE SECURITIES ARE EXEMPT FROM REGISTRATION UNDER THE NEVADA REVISED STATUTES, SECTION 90.520.2(j). THE ISSUER HAS FILED A NOTICE OF THIS OFFERING WITH THE NEVADA SECURITIES DIVISION ADMINISTRATOR PURSUANT TO NEVADA ADMINISTRATIVE CODE SECTION 90.495. THE ADMINISTRATOR HAS NOT PASSED ON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

#### NEBRASKA RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED, AND IS EXEMPT FROM REGISTRATION UNDER THE NEBRASKA SECURITIES ACT, SECTION 8-1110(8).

#### NEW HAMPSHIRE RESIDENTS

THESE SECURITIES ARE EXEMPT FROM REGISTRATION UNDER THE NEW HAMPSHIRE UNIFORM SECURITIES ACT, SECTION 421-B:2-201(7). THE ISSUER HAS FILED A NOTICE OF THIS OFFERING WITH THE STATE OF NEW HAMPSHIRE, BUREAU OF SECURITIES PURSUANT TO SECTION 421-B:2-201(7) OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT. THE BUREAU OF SECURITIES HAS NOT PASSED ON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL TO THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

#### NEW JERSEY RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED AND IS EXEMPT FROM REGISTRATION UNDER THE NEW JERSEY UNIFORM SECURITIES LAW, SECTION 49:3-50(a)(9).

#### NEW MEXICO RESIDENTS

THIS OFFERING OF SECURITIES IS EXEMPT FROM REGISTRATION UNDER THE NEW MEXICO UNIFORM SECURITIES ACT, SECTION 58-13C-201.G.



### NEW YORK RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED AND IS EXEMPT FROM REGISTRATION UNDER THE GENERAL BUSINESS LAW OF NEW YORK (GBL), SECTION 359-f(2)(c). THE ISSUER HAS FILED A NOTICE OF THIS OFFERING WITH THE ATTORNEY GENERAL FOR THE STATE OF NEW YORK PURSUANT TO GBL SECTION 353-e(1)(a). THE ATTORNEY GENERAL FOR THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

### NORTH CAROLINA RESIDENTS

THESE SECURITIES ARE EXEMPT FROM REGISTRATION UNDER THE NORTH CAROLINA SECURITIES ACT. THE ISSUER HAS FILED A NOTICE OF THIS OFFERING WITH THE NORTH CAROLINA SECRETARY OF STATE SECURITIES DIVISION PURSUANT TO NORTH CAROLINA GENERAL STATUTES SECTION 78A-16(9) AND NORTH CAROLINA ADMINISTRATIVE CODE SECTION 06A.1209. THE NORTH CAROLINA SECURITIES DIVISION EXPRESSES NO VIEW WITH RESPECT TO THE MERITS OF THE INVESTMENT IN THIS OFFERING NOR THE ADEQUACY OF DISCLOSURE CONCERNING THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

### OKLAHOMA RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF TRANSACTION EXEMPTION UNDER SECTION 1-202(14) OF THE OKLAHOMA UNIFORM SECURITIES ACT OF 2004. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE OKLAHOMA SECURITIES COMMISSION. THE SECURITIES COMMISSION DOES NOT RECOMMEND NOR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

### OREGON RESIDENTS

Automatic renewal upon maturity of a Note, as provided in this prospectus (see “Automatic Renewal at Maturity Unless Otherwise Elected” under RISK FACTORS), is available to Oregon residents only under limited circumstances. Notes may be automatically renewed for the same term as the original Note or for a term of six (6) months, whichever is shorter. The interest rate on any Note renewed in this manner will be the rate in effect at the time of renewal, which may be higher or lower than the previous Note’s rate.

### RHODE ISLAND RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED AND IS EXEMPT FROM REGISTRATION UNDER THE RHODE ISLAND UNIFORM SECURITIES ACT, SECTION 7-11-401(10).

#### SOUTH CAROLINA RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF TRANSACTION EXEMPTION UNDER SECTION 35-1-202(14) OF THE SOUTH CAROLINA UNIFORM SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE SOUTH CAROLINA ATTORNEY GENERAL, SECURITIES DIVISION. THE SECURITIES DIVISION DOES NOT RECOMMEND NOR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

#### TENNESSEE RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF TRANSACTION EXEMPTION UNDER SECTION 48-1-103(b)(4) OF THE TENNESSEE SECURITIES ACT OF 1980. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE TENNESSEE SECURITIES DIVISION. THE SECURITIES DIVISION DOES NOT RECOMMEND NOR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

#### TEXAS RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED, AND IS EXEMPT FROM REGISTRATION UNDER THE TEXAS SECURITIES ACT (2019), SECTION 6.J.

#### UTAH RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED AND IS EXEMPT FROM REGISTRATION UNDER THE UTAH UNIFORM SECURITIES ACT, SECTION 61-1-14(1)(f)(i).

#### VERMONT RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF TRANSACTION EXEMPTION UNDER SECTION 5202(14) OF THE VERMONT UNIFORM SECURITIES ACT, 9 VSA CHAPTER 150 (SECURITIES ACT). A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE VERMONT SECURITIES DIVISION. THE SECURITIES DIVISION DOES NOT RECOMMEND NOR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

#### WASHINGTON RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED AND IS EXEMPT FROM REGISTRATION UNDER SECTION 21.20.310(11) OF THE SECURITIES ACT OF WASHINGTON AND RULE 460-52A-060 OF THE WASHINGTON ADMINISTRATIVE CODE (WAC). (i) ANY PROSPECTIVE PURCHASER IS ENTITLED TO REVIEW

FINANCIAL STATEMENTS OF THE ISSUER WHICH SHALL BE FURNISHED UPON REQUEST; (ii) RECEIPT OF NOTICE OF EXEMPTION BY THE WASHINGTON ADMINISTRATOR OF SECURITIES DOES NOT SIGNIFY THAT THE ADMINISTRATOR HAS APPROVED OR RECOMMENDED THESE SECURITIES, NOR HAS THE ADMINISTRATOR PASSED UPON THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE; AND (iii) THE RETURN OF THE FUNDS OF THE PURCHASER IS DEPENDENT UPON THE FINANCIAL CONDITION OF THE ORGANIZATION.

#### WEST VIRGINIA RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED, AND IS EXEMPT FROM REGISTRATION UNDER THE UNIFORM SECURITIES ACT OF WEST VIRGINIA, SECTION 32-4-402(a)(9).

#### WISCONSIN RESIDENTS

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

#### WYOMING RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED, AND IS EXEMPT FROM REGISTRATION UNDER THE WYOMING SECURITIES ACT, SECTION 17-4-201(a)(vii).

## INFORMATION IN THIS OFFERING CIRCULAR

This Offering Circular contains essential information about CEP and the securities being offered hereby. Persons are advised to read this Offering Circular carefully prior to making any decisions to purchase these securities.

Except where otherwise indicated, this Offering Circular speaks as of its date. Neither the delivery of this Offering Circular nor any investment in the Vision Unsecured Promissory Notes offering as described in this Offering Circular shall create an implication that the affairs of CEP have continued without change since such date.

Prospective purchasers are not to construe the contents of this Offering Circular as legal or tax advice. Each purchaser should consult his or her own counsel, accountant and other advisors as to legal, tax and related matters concerning the investment described in this Offering Circular and its suitability for him or her.

### TABLE OF CONTENTS

Right of Withdrawal .....	13
Summary of Offering .....	13
Risk Factors .....	15
History & Operations .....	20
Use of Proceeds.....	21
Financing & Operational Activities .....	22
Statement of Activities.....	24
Lending Activities.....	24
Investing Activities .....	26
Selected Financial Data.....	27
Analysis of Selected Financial Data .....	28
Vision Unsecured Promissory Notes .....	29
Church Loans .....	31
Plan of Distribution.....	31
Tax Aspects.....	32
Litigation & Other Material Transactions.....	32
Security .....	32
Management.....	33
Executive Officers .....	34
Board of Directors.....	35
Investments By Officers & Directors .....	41
Financial Statements .....	41
Auditors.....	41
Underwriting .....	41
Legal Matters .....	41
Administrative Matters .....	42
Audited Financial Statements .....	44

## RIGHT OF WITHDRAWAL

Any person who accepts an offer to purchase a Vision Unsecured Promissory Note shall have the right within three (3) business days after the first time this Offering Circular is received to withdraw from the purchase agreement and receive a full refund of all monies paid, without interest. Such withdrawal shall be without the purchaser incurring any further liability to any person. To accomplish this withdrawal, a purchaser need only send a written request, which must be postmarked on or prior to the third business day, to CEP at the address listed on the first page of this Offering Circular, indicating intent to withdraw. If a purchaser chooses to withdraw by letter, it is prudent to send it by certified mail, return receipt requested, to ensure that the letter is received and to evidence the time of mailing.

## SUMMARY OF OFFERING

This summary is being provided for the convenience of potential investors. It must be read in conjunction with the more complete statements made in this Offering Circular, including the audited financial statements included at the end of this Offering Circular.

1. Church Extension Plan: CEP is an Oregon non-profit corporation, organized and operated by member districts of the Assemblies of God, for the purpose of assisting Assemblies of God churches and organizations in the United States and Puerto Rico with church expansion activities.
2. Limited Class of Investors: The class of potential investors for the investments described in this Offering Circular is limited to persons who were, prior to the receipt of this Offering Circular, members of, contributors to (including investors), participants in the Assemblies of God, CEP, or any program, activity, or organization which is affiliated with the Assemblies of God or CEP, or other religious organizations that affiliate with or have a programmatic relationship with the Assemblies of God or CEP.
3. Risk Factors: You are urged to carefully read the Risk Factors, which appear in the next section of this Offering Circular, in order to better understand certain important factors relating to CEP, its use of the proceeds of investments, and the nature of the investment obligations themselves. The risks described in the Risk Factors section below are not the only risks that CEP may face. Additional risks and uncertainties not currently known, or that are currently expected to be immaterial, may also materially and adversely affect CEP's financial condition. Past financial performance may not be a reliable indicator of future performance. (See RISK FACTORS).
4. Financial Status: As of December 31, 2020, the end of the most recent accounting year preceding the date of this Offering Circular, for which audited financial statements are available, CEP's financial status was as follows:

Assets	
Cash	\$ 14,617,541
Investments	50,704,351
Total Cash & Investments	65,321,892
Unitrust Investments	307,897
Mortgages Receivable	461,136,105
Other Assets	29,960,285
Total Assets	<u>\$ 556,726,179</u>
Liabilities	
Unsecured Notes Payable	\$ 510,729,842
Unsecured Certificates Payable	31,606,333
Other Liabilities	3,038,808
Total Liabilities	<u>545,374,983</u>
Net Assets	
Without Donor Restrictions	11,042,347
With Donor Restrictions	308,849
Total Net Assets	<u>11,351,196</u>
Total Liabilities & Net Assets	<u>\$ 556,726,179</u>

5. Financial Statements: CEP's most recent audited financial statements are available within 120 days of its most recent year-end and are found beginning at page 44 of this Offering Circular.

6. Use of Proceeds: The proceeds from the sale of the Notes will be added to CEP's general fund, which is used primarily to make loans to Assemblies of God churches and organizations and to pay CEP's operational expenses, including the (i) expenses of this offering, (ii) interest and principal on the Notes, and (iii) other debt obligations. To the extent the proceeds are not immediately needed for these purposes, CEP will also use the proceeds to make investments. Any investment will only be in (1) FDIC insured certificates of deposit; (2) fixed income securities rated "A" or better, as rated by major rating companies; and (3) US Government securities or US Government Agency securities. Not more than 25% of such funds shall be invested in any single institution other than the US Government and its Agencies, and not more than 50% of such invested funds shall be invested in any type of investment other than US Government and Agency securities.

7. Annuity Reserve Fund: CEP also offers charitable gift annuities. The investment policy for its annuity reserve funds differ from that of its policy for borrowed funds. A charitable gift annuity provides for the payment of a fixed income stream to the income beneficiary for life, and upon death, the remaining balance is to be paid to the remainder beneficiary. The combined goals of the high-income stream to the income beneficiary and the preservation of corpus for the remainder beneficiary suggest a high equity exposure. CEP has elected a conservative approach designed to provide greater stability to the annuity reserve, and still have a significant equity exposure. CEP has elected a total return approach designed to balance the income requirement

and long-term growth of corpus, the goal being to achieve a unified return in the range of 6.5% to 8.5%.

8. Return to Investor: Investments are available in the marketplace that may offer a higher rate of return and may involve less risk than the Notes offered pursuant to this Offering Circular.

## RISK FACTORS

The purchase of unsecured Notes involves certain risk factors, including but not limited to the following:

1. Public Health Outbreaks, Including The COVID-19 Pandemic, Could Adversely Impact CEP: Public health outbreaks, epidemics or pandemics, such as the COVID-19 pandemic, could adversely impact CEP. In December 2019, illnesses associated with COVID-19 were first reported in Wuhan China, and on March 11, 2020 The World Health Organization declared COVID-19 a pandemic. The outbreak has resulted in the implementation of significant governmental measures, including lockdowns, closures, quarantines and travel bans intended to control the spread of the virus. The impact of COVID-19 and the corresponding restrictions have resulted in significant financial market volatility and severe economic disruption to both the United States and foreign markets, all of which could adversely affect CEP in both known and unknown ways.

As of the date of this Offering Circular, COVID-19 related circumstances have not adversely affected CEP's ability to maintain continuity in its operations. However, the effects of COVID-19 could result in an interruption of CEP's key activities and it could have a material adverse impact on CEP's operations, including the possibility for a material increase in (i) loan delinquencies, (ii) requests from borrowers for loan workout arrangements, and (iii) allowance for loan losses. (See RISK FACTORS 7, 9, 10 and 16). The effects of COVID-19 could further adversely impact CEP's ability to access capital or otherwise lead to a decrease in its liquidity.

CEP is continuing to monitor the latest developments regarding the COVID-19 pandemic for purposes of its operational planning and financial projections. Despite careful tracking and planning, however, CEP is unable to accurately predict the extent of the impact of the pandemic on its financial condition due to the uncertainty of future developments. Further, the COVID-19 pandemic, and the uncertain economic conditions stemming from the pandemic, could precipitate or amplify the other risk factors described in this Offering Circular, which could adversely affect CEP's financial condition.

2. Notes are Unsecured: Notes are unsecured general obligations of CEP, and repayment of principal and interest will be dependent solely upon the financial condition and operations of CEP.

3. No Sinking Fund or Trust Indenture: No sinking fund or trust indenture has been or will be established to insure or secure the repayment of Notes. Accordingly, CEP does not set aside specifically for payment of principal and interest on the Notes and offering proceeds are not segregated from other assets of CEP. CEP's ability to pay principal and interest on the Notes will therefore be solely dependent on CEP's financial condition and liquidity at the time the Notes must be paid.

4. Absence of Insurance and Guarantees: CEP is not a bank or similar institution and thus its operations are not regulated by any governmental agency. The Notes are not insured or guaranteed by any governmental agency, such as the FDIC, or any public or private entity as are accounts offered by banks or similar institutions. Accordingly, an investment in the Notes has more risk associated with it because repayment of principal and interest is ultimately dependent upon the financial condition of CEP. Investors should assume Notes will be held to maturity.

5. Return on Investment: Investments are available in the marketplace that may (1) offer a higher rate of return, and/or (2) be secured, and/or (3) be insured.

**6. NASAA Statement of Policy Guideline – Net Assets: The North America Securities Administrators Association, Inc. (NASAA) sets various benchmarks for church extension funds, including net assets. The NASAA Statement of Policy is that at the end of its most recent fiscal year, an Issuer’s net assets be positive and equal to five percent (5%) or more of total assets. CEP’s net assets as a percentage of total assets (capitalization) were 2.04%, 1.96%, and 1.76% as of December 31, 2020, 2019, and 2018, respectively . CEP does not currently meet the NASAA net asset benchmark. (See Analysis of Selected Financial Data, Net Assets, and AUDITED FINANCIAL STATEMENTS, footnote 22.)**

7. Loan Delinquencies: The percentage of loans receivable 90 days or more past due was 15.3%, 8.4%, and 8.7% as of December 31, 2020, 2019, and 2018, respectively. As of February 28, 2021, the percentage of loans 90 days or more past due was 17.4%. These percentages include nonaccrual loans. The increase in loan delinquencies as of December 31, 2020 and through February 28, 2021 is considered by CEP to be caused by the effects of the COVID-19 pandemic. The uncertainty around the duration and continued impact of the COVID-19 pandemic could adversely affect CEP’s financial condition, including its ability to make payments of principal and interest on the Notes at maturity. (See LENDING ACTIVITIES).

8. Proceeds Added To CEP’s General Fund: Proceeds received from the sale of the Notes will be added to CEP’s general fund. The general fund is used for operating expenses and to carry out CEP’s primary purpose, which is to provide financing to Assemblies of God churches and organizations. (See USE OF PROCEEDS).

9. Workout Arrangements: CEP may enter into workout arrangements, which modify the interest and/or principal payment obligations of any borrowing church whose loan is in default or imminent default with respect to payments of principal or interest. Such work out arrangements may decrease the likelihood of a default. Workout arrangements include evaluation of debtor’s current financials, assessing the reason for delinquency, developing a workout plan, and maintaining ongoing communication to ensure workout requirements are met. CEP anticipated the financial impact the COVID-19 pandemic could have on its borrowers (churches) and in early 2020 it offered loan payment concessions to its borrowers. Approximately 18.4% of CEP’s borrowers elected to participate in the loan payment concessions being offered on account of COVID-19. (See AUDITED FINANCIAL STATEMENT, footnote 23). At December 31, 2020, approximately 75.4% of those participating were no longer three (3) or more months delinquent on account of COVID-19. CEP estimates there will be continued loan payment delays for the approximate 24.6% of those participating that remain three (3) or more months delinquent on account of COVID-19. Also, it is possible that additional borrowers may request loan payment concessions on account of the COVID-19 pandemic in the future. The possibility of additional loan payment concessions being made in the future, as well as the uncertain outcome of the



current loan concessions that have been made in response to the COVID-19 pandemic, could adversely affect CEP's financial condition, including its ability to make payments of principal and interest on the Notes at maturity. (See LENDING ACTIVITIES).

10. Allowance for Loan Losses May Be Insufficient: CEP maintains an allowance for loan losses, which management reasonably determines to be adequate to cover potential losses. As of December 31, 2020, CEP's allowance for loan losses as a percentage of total mortgage receivable was approximately 2.85% (2.64% and 2.68% in 2019 and 2018, respectively). If the loan loss allowance turns out to be insufficient to cover losses actually realized in the future, then CEP's financial condition would be adversely affected, including its ability to make payments of principal and interest on the Notes at maturity. (See AUDITED FINANCIAL STATEMENTS, footnote 4). CEP anticipated the possible financial impact that COVID-19 could have on its borrowers (churches) and offered loan payment concessions. The outcome of the loan payment concessions being made in response to COVID-19, as well as the possibility that additional loan payment concessions may be made in the future could adversely affect CEP's financial condition, including its ability to make payments of principal and interest on the Notes at maturity.

11. Ranking and Priority: The securities presently offered and sold by CEP are of the same rank and priority as its other debt securities and debt obligations, except for existing and anticipated future senior secured indebtedness, which shall not exceed ten percent (10%) of the tangible assets (total assets less intangible assets as defined by accounting principles generally accepted in the United States (GAAP)).

12. No Established Market: There is no established market for the trading of the Notes, and there is no likelihood that such a market may develop in the future. The Notes are non-transferable without CEP's prior written approval, except by gift or upon the death of the Note holder. Investors should assume that the Notes will be held to maturity.

13. Payments of Principal and Interest: Any negative changes or trends in the financial condition of CEP and its operations may adversely affect its ability to make payments of principal and interest on the Notes at maturity. (See VISION UNSECURED PROMISSORY NOTES).

14. Liquid Assets Subject to Risks: CEP's liquid assets that are invested in readily marketable securities are subject to losses if the market value of such investments decline. In order to meet anticipated cash needs, it is CEP's practice to maintain liquid funds consistent with the North American Securities Administration Association, Inc. (NASAA) statement of policy regarding church extension funds. The NASAA statement of policy is that at the end of its most recent fiscal year, the Issuer's cash, cash equivalents, readily marketable securities, and available lines of credit (not exceeding 2% of the principal balance of its total investment obligations) have a value of at least eight percent (8%) of the principal balance of its total investment obligations. CEP's cash, cash equivalents, readily marketable securities and available lines of credit (not exceeding the above-described 2%) as a percentage of its total investment obligations was 14.1%, 9.3%, and 8.7% as of December 31, 2020, 2019, and 2018, respectively.

15. Tax Consequences: Interest earned on the Notes is subject to reporting for income tax purposes. No contribution deduction is allowed by reason of the purchase of any security

described in this Offering Circular. A professional tax advisor should be consulted regarding all tax matters.

16. Loan Repayment: CEP's loans are made to Assemblies of God churches and organizations whose ability to repay the loans depends primarily upon contributions that they receive from their members and friends. There are no assurances that individual church membership, attendance, or per capita contributions by members or friends of churches will increase or remain stable. Contributions may decline for a variety of reasons, including but not limited to the general impact of a softening economy, increased job losses or other economic difficulties encountered by church members, and/or a decline in the business prospects of donors. In addition, the effects of the COVID-19 pandemic may result in decreased contributions to CEP's borrowers (churches) and could adversely affect their ability to fulfill their obligation to CEP. CEP's ability to pay principal and interest on the Notes depends upon a number of factors, including the financial success of individual churches to which CEP makes loans. A decrease in contributions to CEP's borrowers could adversely affect CEP's financial condition, including its ability to make payments of principal and interest on the Notes at maturity. (See AUDITED FINANCIAL STATEMENTS).

17. Loan Policies: Loans made by CEP are to Assemblies of God churches and organizations. Because of the relationship between CEP and its borrowers, loan policies, including loan underwriting and enforcement of loan terms in the event of delinquency, are less stringent than those of commercial lenders, and CEP may accommodate partial, deferred or late payments from some borrowers. (See CHURCH LOANS).

18. Changes in Federal or State Laws: There is no guarantee that one or more federal or state laws may not be changed in a way that may affect CEP's ability to continue to sell Notes or other offerings. Any such unforeseen change could have a substantial adverse effect on CEP's cash flow, which may in turn affect CEP's ability to meet its commitments to pay principal and interest on its obligations, including the securities issued pursuant to this Offering Circular.

19. Second Mortgages: In some cases, loans are secured by a second, rather than a first mortgage or trust deed. As of December 31, 2020, 2019, and 2018, there were no loans secured by second mortgages or second deeds of trust.

20. Unsecured Loans: In some cases, loans are unsecured. Unsecured loans totaled \$941,248, \$1,004,190, and \$1,437,032 as of December 31, 2020, 2019, and 2018, respectively. In each case, these amounts represent less than one percent (1%) of all mortgages receivable. If any of these loans resulted in a loss, CEP's financial condition would be weakened.

21. Church Property Locations: A high percentage of loans are made to churches in the State of California (approximately 18% of all loans representing approximately 23% of the dollar amount of all loans). Some counties in California, as well as other states, have experienced seismic activity in the past. In addition, CEP has a number of loans to churches in the State of Florida (approximately 7% of all loans representing approximately 7% of the dollar amount of all loans) and other parts of the southeastern United States, which is subject to hurricane and flooding perils. Most churches do not carry casualty insurance on church buildings covering earthquake, flooding, or hurricane perils because of limited availability, high premium cost, and the large percentage of self-insurance required under those policies that are available. CEP has not

experienced any loan losses due to these perils. Any substantial uninsured loss due to these perils or other natural disasters may adversely affect CEP's financial condition.

22. No Early Repayment: Funds received from the sale of Notes are used to make loans to Assemblies of God churches, or for CEP's operational purposes, and therefore are not available for early repayment. Purchasers should assume that the Notes will be held to maturity.

23. Automatic Renewal at Maturity Unless Otherwise Elected: If the investor does not notify CEP in writing on or before the maturity of the election not to extend or renew the Note, the Note will be renewed and extended for the same period of time as the preceding term. CEP's most recent Offering Circular and current rate chart are made available to the investor annually and in advance of renewal. Interest rates offered vary according to market conditions and the length of time of the investment. The renewal interest rate may be less than that of the original investment. Current rates are available at [www.cepnet.com](http://www.cepnet.com). Automatic renewal is limited or does not apply in certain states. (See STATE SPECIFIC DISCLOSURES, beginning at page 3).

24. Limited Use Buildings: Funds raised from the issuance of Notes are used to construct, purchase, or renovate church buildings which by their nature have a single or otherwise limited use. The same is true for buildings which secure loans made in prior periods. Therefore, the value of these buildings, which value usually represents replacement cost or value to a church, may be substantially higher for a church than for other users. If CEP has to foreclose on a church property, the proceeds from the sale of the collateral may be insufficient to cover the debt to CEP. In any such case, CEP's financial condition would be weakened.

25. No Right to Vote: CEP is managed by a board of directors, and investors have no right to vote or participate in CEP's management.

26. Uninsured Cash: CEP maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. To the extent any such account or accounts exceed insured limits, the excess would not be covered by insurance and, therefore, would not be recoverable in the event of a bank failure.

27. Other Debts and Obligations of CEP: In addition to the obligation to pay principal and interest on the Notes at maturity, CEP also has outstanding obligation to pay its Partners Plus Church Certificates (See AUDITED FINANCIAL STATEMENTS, footnote 12). Partners Plus Church Certificates ("Certificates") are different and unrelated to the securities described in this Offering Circular. CEP discontinued its Certificates security offering on January 1, 2021. (See AUDITED FINANCIAL STATEMENTS, footnote 1). The obligations arising from the securities described in this Offering Circular (See AUDITED FINANCIAL STATEMENTS, footnote 11), and the outstanding obligations to pay Certificates issued prior to January 1, 2021 (See AUDITED FINANCIAL STATEMENTS, footnote 12), are each unsecured and are of the same rank and priority. In addition, CEP also has the obligation to pay ongoing expenses relating to its ownership of Other Real Estate Owned (OREO), which is property acquired by CEP through foreclosure or in a deed-in-lieu of foreclosure (See AUDITED FINANCIAL STATEMENTS, footnote 7). CEP also has the obligation to pay its short-term line of credit. No amounts were drawn on the line of credit as of December 31, 2020, 2019, and 2018. (See AUDITED FINANCIAL STATEMENTS, footnote 9).

28. IRA Custodial Fee: CEP is its own IRA Custodian. A \$10 annual custodial fee is automatically deducted from the principal balance of each IRA.

29. Environmental Risks: There is potential environmental liability associated with the loans CEP makes. CEP does not typically require an environmental assessment of the church property as a condition to making a loan. CEP's security for the loan could be impaired if the church property turns out to have environmental pollution or other contamination problems. In addition, changes in environmental regulations could require the borrower to incur substantial unexpected expenses to comply with such regulations, and this could impair both the value of the collateral and the borrower's ability to repay CEP. In any such case, CEP's financial condition could be weakened.

30. Construction Loan Risks: Borrowers may use loan proceeds to construct new facilities or to improve existing facilities, thereby being subject to risks associated with construction. If any of the following risks or other risks related to construction and improvement occur, it could have a material adverse effect on a borrower's ability to repay its loan by increasing construction costs or delaying or preventing completion of a project:

- a. The borrower and its contractor may not sign a fixed-price construction contract.
- b. The contractor may fail to pay subcontractors resulting in construction liens being filed.
- c. Completion may be delayed due to, among other things, shortages of materials, strikes, acts of nature, delays in obtaining necessary building permits or architectural certificates, environmental regulations, or fuel or energy shortages.
- d. The contractor may not post a completion bond.

31. Risks Related to an Inability to Maintain Historical Rates of Renewal: For the past three (3) fiscal years, the blended average of total Notes that have renewed at maturity is 87%. CEP cannot assure investors that the historical renewal rate of Notes at maturity will continue. A significant reduction in the renewal of Notes by investors at maturity could adversely impact CEP's ability to repay Notes.

## HISTORY & OPERATIONS

CEP is located at 4070 27th Court SE, Suite 210, Salem, Oregon 97302-1359, telephone (503) 399-0552 or toll free at (800) 821-1112. CEP began as a ministry of the Assemblies of God Oregon District in 1950. It was incorporated as a non-profit corporation in the state of Oregon on February 11, 1952. CEP is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986 as amended ("Code"), is not a "private foundation" under Section 509 of the Code, and is organized and operated exclusively for religious and charitable purposes. No part of CEP's net earnings benefits any person, private shareholder, or individual.

CEP was founded for the purpose of assisting Assemblies of God churches to extend and expand their ministry and outreach by assisting them in the financing of capital improvements and expansion of building facilities and other fixed assets.

CEP's members consist of 59 of the 67 District Councils of the Assemblies of God. Each member District is a separate non-profit organization which oversees the various individual Assemblies of God ministers in its District. The Assemblies of God Fellowship consists of individual, independent churches voluntarily associating together as members of District

Councils. In most cases, District boundaries correspond to state boundaries. The various District Councils are members of the General Council of the Assemblies of God located in Springfield, Missouri. The Assemblies of God has more than three million members and adherents in the United States. Other information regarding CEP is as follows:

1. Property and Equipment: CEP is located at 4070 27th Court SE, Suite 210, Salem, Oregon 97302, in its own two-story building consisting of approximately 20,000 square feet on each level, with adjacent parking. CEP occupies the upper level, and the lower level is leased to other third parties. The land, building, and improvements are carried on the books at cost of \$6,260,042 less accumulated depreciation of \$1,915,425, as of December 31, 2020. Other property and equipment includes office equipment, furniture, and software. CEP also has other real estate owned representing church properties acquired by CEP as satisfaction, or partial satisfaction, of delinquent loans. (See AUDITED FINANCIAL STATEMENTS: footnote 1 “Summary of Significant Accounting Policies,” footnote 5 “Property and Equipment,” footnote 6 “Other Rental Property,” and footnote 7 “Other Real Estate Owned.”)
2. Employees: CEP has 38 employees, which consist of the following: president, chief financial officer, senior vice presidents and other officers, a controller, managers, and office staff.
3. Board Meetings: CEP is managed by its board of directors which consists of representatives of qualifying Districts of the Assemblies of God. The full Board meets twice a year, usually in August and November. The Executive Committee of the Board meets quarterly. Investors do not obtain any right to vote, or participate in any way, in CEP’s management, attend any meetings, or obtain any reports.
4. Financial Statements: CEP’s most recent audited financial statements are available to investors within 120 days of its most recent year-end. Financial statements are available upon request, or at [www.cepnet.com](http://www.cepnet.com).
5. Earnings: CEP generates earnings primarily through interest income from church loans. (See AUDITED FINANCIAL STATEMENTS).

#### USE OF PROCEEDS

Proceeds from the sale of the Notes will be added to CEP’s general fund. CEP’s general fund is used primarily to make loans to Assembly of God churches and organizations and to pay CEP’s operating expenses, including the expenses of this offering, and to pay interest and principal on the Notes and other debt obligations of CEP.

CEP may make investments with proceeds from the sale of the Notes to the extent such proceeds are not immediately needed for these purposes. Any investment will only be in (1) FDIC insured certificates of deposit; (2) fixed income securities rated “A” or better, as rated by major rating companies; and (3) US Government securities or US Government Agency securities. Not more than 25% of such funds shall be invested in any single institution other than the US Government and its Agencies, and not more than 50% of such invested funds shall be invested in any type of investment other than US Government and Agency securities

Expense of Offering Circulars:

The total anticipated expenses related to the development of this offering are \$183,000:

- Legal fees \$10,000
- Audit and accounting fees \$115,000
- State securities registration fees \$18,000
- Advertising \$40,000

Estimated annual expenses amount to less than one-tenth of one percent (.001%) of the estimated annual gross proceeds of this offering.

### FINANCING & OPERATIONAL ACTIVITIES

Vision Unsecured Promissory Notes, as described in this Offering Circular, is CEP’s only securities offering. CEP discontinued its other securities offering, Partners Plus Church Certificates (“Certificates”), effective January 1, 2021.

1. Outstanding Securities and Other Debt: A description and summary of CEP’s debt obligations, including its payables for both Notes (covered by this Offering Circular) and for Certificates (different and unrelated to the securities described in this Offering Circular and discontinued by CEP on January 1, 2021), and its other debt obligations as of the end of its most recent fiscal year, is as follows:

SECURED

Line of Credit Secured by Mortgages	\$ -
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UNSECURED

Paycheck Protection Program Loan	593,500
<u>Vision Notes</u> : Six-month to five-year maturities	510,729,842
<u>Gift Annuities and Unitrusts</u>	644,219

Certificates:

<p>CEP discontinued its securities offering for Certificates on January 1, 2021. Certificate liability represents CEP's estimate of the current value of CEP's obligation with regard to Certificates payable at maturity for all Certificates purchased prior to January 1, 2021. The difference between the total amount of the liability at maturity and the total amount of the liability as shown on the balance sheet is called Certificate Discount, which is amortized to expense over the life of the Certificate. As reflected in Note 12 to the audited financial statements, the net Certificate liability was reduced in 2020 by 14.42% to \$31,606,333 and reflects a Certificate Discount of \$13,893,617</p>	31,606,333
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<u>Other</u> : Accounts, interest and other	1,801,089
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Total Unsecured	545,374,983
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Total Outstanding Securities & Other Debt	\$ 545,374,983
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2. Cash Receipts from Sale of Securities and Amount of Redemptions: A description of the amount of sales receipts and the debt obligation relating to the amount of redemptions for both Notes (covered by this Offering Circular) and for Certificates (different and unrelated to the securities described in this Offering Circular and discontinued by CEP on January 1, 2021) at the end of its most recent fiscal year on a cash flow basis, is as follows:

### Vision Notes

Cash received from issuance of Vision Notes	\$ 60,980,428
Cash disbursements for redemptions	(60,393,953)
Receipts over (under) disbursements, Vision Notes	<u>\$ 586,475</u>

### Certificates

Cash received from Certificates	\$ 127,730
Cash disbursements for redemptions	(7,556,513)
Receipts over (under) disbursements, Certificates	<u>\$ (7,428,783)</u>

3. Loans Receivable Information: A description and summary of the nature and amount of CEP's outstanding loans receivable, less allowance for losses, at the end of its most recent fiscal year is as follows:

### Loans Receivable

<u>Church Loans, Secured</u> : Loans secured by mortgages	\$ 473,714,616
<u>Church Loans, Unsecured</u> :	
10 church loans were unsecured	941,248
<u>Allowance for loan losses</u>	<u>(13,519,759)</u>
Net Loans Receivable	<u>\$ 461,136,105</u>

4. Invested Funds: A description and summary of the nature and amount of any invested funds which CEP maintains, pending utilization for its loan activities or maintaining a reasonable liquidity, and a description of the policies of CEP with respect to the maintenance of such invested funds, at the end of its most recent fiscal year, is as follows:

<u>Certificates of Deposit</u> :	Certificates of Deposit at various banks. Amounts are fully FDIC insured.	\$ 9,700,626
<u>Debt Securities</u> :	State Bonds and Corporate Bonds of "A" grade or better	\$ 918,839
	US Government Securities or US Government Agency Securities	\$ 16,890,176
<u>Equity Securities</u> :	Mutual funds	\$ 23,194,710

5. Non-Related Revenues: CEP's direct and indirect non-related revenues and expenses are not a significant percentage of CEP's operating revenues or expenses.

6. CARES Act: CEP received loan proceeds in 2020 in the amount of \$593,500 under the Paycheck Protection Program (PPP). The PPP loan and accrued interest are forgivable if certain conditions are met. CEP applied for forgiveness on December 12, 2020 and notification of forgiveness was received on January 8, 2021. (See AUDITED FINANCIAL STATEMENTS, footnote 10). As of December 31, 2020, CEP's cash reserves, liquid assets and available line of credit, including the proceeds from the forgiven PPP loan, as a percentage of its total investment obligations was 14.1%. (See ANALYSIS OF SELECTED FINANCIAL DATA). The percentage without the proceeds from the forgiven PPP loan was 14.0%.

7. Other Financial Information: CEP's ability to pay principal and interest on the Notes at maturity and its other outstanding debt obligations is largely dependent upon its ability to collect on the loans made to churches, which alone may not be sufficient to meet its obligation to pay principal and interest on the Notes at maturity and to pay its other outstanding debt obligations. CEP does not maintain a sinking fund account for payment of principal and interest on the Notes at maturity. Accordingly, CEP does not set aside specifically for payment of the Notes and offering proceeds are not segregated from other assets of CEP. CEP's ability to pay principal and interest on the Notes will therefore be solely dependent on CEP's financial condition and liquidity at the time the Note must be paid.

#### STATEMENT OF ACTIVITIES

	2020	2019	2018
Increase (Decrease) in Net Assets Without Donor Restrictions	\$ 683,934	\$ 839,428	\$ (896,961)
Interest Income	\$ 25,646,957	\$ 26,347,853	\$ 26,226,397
Increase (Decrease) in Interest Income	(2.66%)	0.46%	(2.22%)
Weighted Average of Loan Interest	5.80%	5.93%	5.61%
Interest Expense	\$ 17,874,955	\$ 18,547,853	\$ 18,366,850
Increase (Decrease) in Interest Expense	(3.63%)	0.99%	(1.12%)
Weighted Average of Note Interest	3.10%	3.13%	3.13%
Interest Spread Rate	2.70%	2.80%	2.48%
Operating Expenses	\$ 8,563,961	\$ 8,801,810	\$ 10,612,326
Percentage of Interest Income	33.39%	33.41%	40.46%
Increase in Net Assets With Donor Restrictions	\$ 50,269	\$ 29,595	\$ 34,251

#### LENDING ACTIVITIES

Lending activities of CEP are described as follows:

1. The Nature and Types of Loans Receivable: Loans are made only to Assemblies of God churches and organizations. Loans are repayable generally over a 20- to 30-year period and are usually secured by a mortgage or a trust deed on the church's property. (See CHURCH LOANS).

2. Loan Policies: Because of the relationship between CEP and its borrowing churches, the loan policies are less stringent than those of commercial lenders, and CEP may accommodate partial, deferred or late payments from some borrowers. (See CHURCH LOANS).

In early 2020, CEP offered loan payment concessions to its borrowers in response to the COVID-19 pandemic. Approximately 18.4% of CEP's borrowers elected to participate in the loan payment concessions being offered on account of COVID-19. (See AUDITED FINANCIAL STATEMENTS, footnote 23).

3. Loans Outstanding: As of December 31, 2020, CEP had 756 loans outstanding with balances receivable aggregating \$474,655,864 as follows:



Principal Loan Balance	Number of Loans	Principal Outstanding	Percent of Mortgages Receivable
\$0 - \$500,000	526	\$ 102,058,377	21.5%
\$500,001 - \$1,000,000	104	72,823,558	15.3%
\$1,000,001 - \$2,000,000	74	102,879,436	21.7%
\$2,000,001 - \$5,000,000	40	109,599,445	23.1%
\$5,000,001 - \$10,000,000	11	76,364,133	16.1%
\$10,000,001 +	1	10,930,915	2.3%
	<u>756</u>	<u>\$ 474,655,864</u>	<u>100%</u>

The average interest rate as of December 31, 2020, was 5.80%. During 2020, interest earned on these mortgages was \$25,646,957, and the amount of principal returned was \$49,838,123.

The following table reflects approximate loan principal maturities due on CEP's loan portfolio during the periods indicated based on December 31, 2020, data:

Year Ending December 31	Principal Outstanding
2021	\$ 12,043,189
2022	12,468,461
2023	12,958,130
2024	13,432,630
2025	13,943,133
2026 and thereafter	409,810,323
	<u>\$ 474,655,864</u>

CEP has historically refinanced a substantial portion of its loans and has received substantial principal prepayments on a number of non-matured loans each year. Accordingly, the amount shown as maturing above may vary from the principal repayments it actually receives.

Subsequent to December 31, 2020, until February 28, 2021, the aggregate unpaid balance of loans decreased from \$474,655,864 to \$473,036,293.

4. Loan Delinquencies: The nature and extent of any material loans three (3) months or more delinquent as of the end of each of the last three (3) fiscal years, including those on non-accrual status, were as follows:

	2020	2019	2018
Number of Loans	75	41	50
Loans three months delinquent	9	0	4
Four months delinquent	11	3	0
Five months delinquent	6	0	2
Six months delinquent	3	1	0
Seven + months delinquent including non-accrual	46	37	44
Total monthly interest payments delinquent:			
Dollar amount	\$ 467,586	\$ 187,985	\$ 176,507
Percentage of total loans receivable	0.10%	0.04%	0.04%
Total delinquent and non-accrual loans:	\$ 72,707,632	\$ 41,045,456	\$ 43,198,381

Subsequent to December 31, 2020, until February 28, 2021, there have been six (6) loans added to the list of those three (3) months or more delinquent. The total of those six (6) loans added is \$12,913,767. Subsequent to December 31, 2020, until February 28, 2021, there have been six (6) loans removed from the list of those three (3) months or more delinquent. The total of those six (6) loans removed was \$2,154,724.

Total delinquent and non-accrual loans were \$72,702,632 or 15.3% of total loans receivable as of December 31, 2020, \$41,045,456 or 8.4% as of December 31, 2019, and \$43,198,381 or 8.7% as of December 31, 2018. As of February 28, 2021, the percentage was 17.4%. The increase in loan delinquencies as of December 31, 2020 and through February 28, 2021 is considered by CEP to be caused by the effects of the COVID-19 pandemic.

#### 5. Loan Losses:

There were three material loan losses, those of \$250,000 or more, incurred by CEP during the prior three (3) fiscal years of 2020, 2019, and 2018. The following is a summary of CEP's allowance for loan losses and charges to the allowance for loan losses during each of the last three (3) years.

	2020	2019	2018
Allowance for loan losses			
Beginning of year	\$ 12,929,162	\$ 13,323,470	\$ 13,223,470
Add uncollectible receivables expense	680,286	341,111	228,554
Less loan losses/write-offs/adjustments	(89,689)	(735,419)	(128,554)
End of year	<u>\$ 13,519,759</u>	<u>\$ 12,929,162</u>	<u>\$ 13,323,470</u>
Allowance as a percentage of receivables	2.85%	2.64%	2.68%

### INVESTING ACTIVITIES

The proceeds from the sale of Notes are deposited to CEP's general fund and may be invested. Such investments consist of Corporate Bonds, Government Securities, and Certificate of Deposits (See AUDITED FINANCIAL STATEMENTS, footnote 8).

The Finance Strategy Team, consisting of the president, chief financial officer, and controller, oversees investment activities pursuant to the investment policy established by the board of directors.

The investment policy requires investments to be a quality rating of bonds and notes of "A" or better, as rated by major rating companies. The portfolio consists only of traditional principal and interest obligations, bonds, and notes.

The investment policy also requires diversification as follows:

1. No more than 25% of investment funds may be in any single institution other than the US Government and its Agencies.
2. No more than 50% of investment funds may be in any type of investment other than US Government and Agency securities.
3. CEP is required to hold funds in a separate account to act as a reserve for its gift annuities. These funds have a separate investment policy adopted by the board of directors. That investment policy allows for a wide range of investments. The total cash and investments held in the separate accounts were \$673,043, \$562,965, and \$522,720 as of December 31, 2020, 2019, and 2018, respectively. (See AUDITED FINANCIAL STATEMENTS, footnote 8).

The outstanding investments for the last three (3) years were as follows:

Investment Type	2020		2019		2018	
Certificates of Deposit	\$ 9,700,626	19%	\$ 2,405,406	12%	\$ 2,185,048	21%
US Government Securities	16,890,176	33%	15,247,943	73%	5,212,646	51%
State and Corporate Bonds	918,839	2%	828,412	4%	1,305,837	13%
Mutual Funds	23,194,710	46%	2,268,093	11%	1,494,449	15%
Total	\$ 50,704,351	100%	\$ 20,749,854	100%	\$ 10,197,980	100%
Investment Gains (Losses)	\$ 623,306		\$ 611,888		\$ (190,362)	

#### SELECTED FINANCIAL DATA

The table below presents certain selected financial data with respect to CEP and its operations for the most recent five (5) years compiled from CEP's audited financial statements. The below selected financial data should be read in conjunction with CEP's current audited financial statements, including the accompanying footnotes, which begin on page 44.

	2020	2019	2018	2017	2016
Cash and liquid reserves	\$ 65,629,789	\$ 39,060,792	\$ 36,270,741	\$ 37,239,066	\$ 36,458,603
Mortgages receivable					
Secured	\$ 473,714,616	\$ 488,456,510	\$ 495,871,697	\$ 503,613,729	\$ 494,617,925
Unsecured	941,248	1,004,190	1,437,032	1,534,836	1,672,347
% of Mortgages receivable not secured	0.2%	0.2%	0.3%	0.3%	0.3%
Allowance for loan losses	\$ 13,519,759	\$ 12,929,162	\$ 13,323,470	\$ 13,223,470	\$ 6,700,000
% - Allowance to mortgages	2.85%	2.64%	2.68%	2.62%	1.35%
Total Assets at December 31	\$ 556,726,179	\$ 548,164,658	\$ 557,506,850	\$ 570,591,297	\$ 565,318,771
Outstanding debt:					
Certificates - unsecured	\$ 31,606,333	\$ 36,931,242	\$ 40,976,741	\$ 41,370,118	\$ 41,428,797
Notes - unsecured	510,729,842	498,617,224	504,805,172	505,644,127	504,505,739
Gift annuities and unitrust obligations	644,219	486,682	456,832	557,654	582,897
Net Assets, without donor restrictions	\$ 11,042,347	\$ 10,408,682	\$ 9,569,253	\$ 10,466,214	\$ 16,378,193
Net Assets, with donor restrictions	308,849	258,580	228,986	194,735	118,841
Increase (decrease) in net total assets	683,934	869,023	(862,710)	(5,836,085)	1,812,003
Distribution to Member Districts	-	-	-	-	-
Financial ratios					
Cash and liquid reserves to total debt	12.09%	7.29%	6.64%	6.80%	6.67%
Debt as a percentage of total assets	97.53%	97.79%	97.98%	95.97%	96.67%
Net assets as a percentage of total assets	2.04%	1.96%	1.76%	1.87%	2.92%
Coverage ratio	2.63%	1.86%	2.00%	2.05%	2.90%

## ANALYSIS OF SELECTED FINANCIAL DATA

1. **Liquid Assets:** CEP maintains liquid reserves in order to meet future anticipated cash requirements including the funding of new loans, the repayment of Notes, other debt obligations, and operating expenses. In addition to CEP's cash reserves and liquid assets, CEP maintains a \$12 million line of credit with Umpqua Bank. No amounts were drawn on the line as of December 31, 2020, 2019, and 2018. The North American Securities Administrators Association, Inc. (NASAA) statement of policy guideline provides for available lines of credit, not exceeding 2% of investment obligations, in determining liquidity status. CEP's cash reserves, liquid assets and available line of credit as a percentage of its total investment obligations was 14.1%, 9.3%, and 8.7%, as of December 31, 2020, 2019, and 2018, respectively. These percentages include 2.0% from its available line of credit at December 31, 2020, 2019, and 2018, respectively.

2. **Mortgage Growth:** CEP's net mortgage loan balance as of December 31, 2020 was \$461,136,105, which is a 3.23% decrease from December 31, 2019. At December 31, 2019 the net mortgage balance was \$476,531,538, which is a decrease of 1.54% from December 31, 2018. CEP's net mortgage balance has increased by \$8,738,301 over the last five (5) years.

3. **Sources of Funds:** CEP's primary sources of funds are from the the sale of the Notes. CEP's outstanding debt has increased by 1.38% in 2020 and decreased by 1.88% in 2019. CEP's outstanding debt has increased by \$7,154,178 over the last five (5) years.

4. **Net Assets:** As of December 31, 2020, net assets as a percentage of total assets (capitalization) were 2.04%. This represents an increase from the December 31, 2019, capitalization rate of

1.96%. The capitalization rate as of December 31, 2018 was 1.76%. CEP's goal is to increase its capitalization to five percent (5%). The steps to be taken include, but are not limited to, the following:

- a. Reduction of overhead expense ratios.
- b. Increased profitability through the loan portfolio (re-pricing of ARM loans estimated at \$70 million in 2021).
- c. Continued aggressive marketing for sale of Other Real Estate Owned.
- d. Fundraising commitments and gifts to New Growth Partners, a donor-based activity aimed at providing facilities to new ministries.
- e. Consideration for the sale of the corporate office facility in order to recognize the sizable gain on this investment.
- f. Expected growth of additional revenue sources and other consulting services.
- g. Adjustment of interest rates paid on Notes.

5. Cash Flow Performance – NASAA Statement of Policy Guideline: The North America Securities Administrators Association, Inc. (NASAA) sets various benchmarks for church extension funds, including Cash Flow Performance. The NASAA statement of policy is that for each of an Issuer's three (3) most recent fiscal years the coverage ratio of available cash as compared to the Note redemptions be at least one to one (1:1). CEP meets the NASAA cash flow performance benchmark. As of December 31, 2020, 2019 and 2018, CEP's coverage ratio was 2.63%, 1.86% and 2.0% respectively.

#### VISION UNSECURED PROMISSORY NOTES

CEP raises funds through the sale of Vision Unsecured Promissory Notes to accomplish its primary purpose of providing loans to Assemblies of God churches and organizations.

1. Vision Unsecured Promissory Notes: Only US currency is acceptable consideration for the purchase of Notes.

2. Transferability/No Established Market: Notes have no established market for trading and no such market is anticipated to develop in the future. They are non-transferable without CEP's prior written approval, except by gift or upon the death of the registered holder.

3. Senior Secured Indebtedness: Notes are of the same rank and priority as CEP's other debt securities. The NASAA statement of policy guideline provides that senior secured indebtedness shall not exceed 10% of the tangible assets. CEP had no senior secured indebtedness as of December 31, 2020, 2019, or 2018.

4. Limit on Securitization: CEP may securitize up to 10% of its loan portfolio, if all the following are met:

- a. The loans are securitized and sold on a non-recourse basis predominantly to entities not affiliated with CEP.
- b. The proceeds from the sale of the securitized loans will be used to make additional loans to churches and ministries within the Assemblies of God.
- c. The securitization will not hinder the ability of CEP to repay the principal and interest on the Notes when due.

As of December 31, 2020, CEP had no securitized loans.

5. Terms of Notes: Notes are issued for six (6) month to five (5) year maturities. The purchaser may specify frequency of interest payments, or interest may be added monthly to the principal of the Note. The minimum investment is \$250. An alternative minimum investment is \$100, provided a recurring monthly addition is set up at the time the Note is established. The minimum monthly addition must be at least \$10 via electronic funds transfer. The monthly additions cannot be terminated until the Note balance reaches the standard minimum balance of \$250. At CEP's discretion, additions may be allowed for certain Notes.

Notes may be renewed at maturity. Each investor will be provided written notification of the maturity and proposed renewal at least 30 days prior to maturity. CEP's current Offering Circular and rate chart are available to each investor upon inquiry and annually in May to current investors. If the investor does not notify CEP in writing, on or before the maturity, of the election not to renew the Note, the Note will be renewed for the same period of time as the preceding term. Interest rates offered vary according to market conditions, the amount invested, the length of time of the investment, whether the rate is variable or fixed, and the amount of penalty for early withdrawal. Certain Notes allow for the ability to access funds, penalty free, with a 30-day advance written notice. These Notes typically carry a lower interest rate than Notes subject to an early withdrawal penalty. Investors should assume that the Notes will be held to maturity. Interest rates as of March 1, 2021, range from .75% to 3.0%. For information on the latest rates available, please call CEP at the telephone number shown on the first page of this Offering Circular or go to [www.cepnet.com](http://www.cepnet.com). Notes have a minimum rate of no less than .5%. For new Notes, CEP reserves the right to change the rate of interest offered, and/or the terms and conditions of Notes, from time to time.

6. Notice of Maturity: CEP shall notify each investor 30 days in advance of the maturity date of each Note.

7. General Fund: The proceeds from the sale of the Notes are deposited to CEP's general fund, which is used primarily to make loans to Assemblies of God churches and organizations and to pay CEP's operational expenses, including the (i) expenses of this offering, (ii) interest and principal on the Notes, and (iii) other debt obligations. To the extent the proceeds are not immediately needed for these purposes, CEP will also use the proceeds to make investments.

8. Potential Forfeiture: If one or more substantial church loans or a number of smaller church loans became delinquent and it became necessary to foreclose on the related properties, or if such loan(s) were not secured, the proceeds, if any, may be insufficient to pay all of the debt owed by CEP. Secured creditors, including those that have mortgages, deeds of trust, or other pledges of security, would have priority over the unsecured general obligations of CEP, which includes the Notes described in this Offering Circular.

9. No Early Repayment: The Notes are not designed for early repayment. Early repayment, if allowed, may incur a penalty of up to six (6) months interest. Investors should count on holding the Notes until maturity.

10. Callability by CEP: CEP may call and prepay any Note at any time. In such event, CEP shall pay the entire balance owing, including accrued interest to the date of payment.

11. CEP's Ability to Repay: CEP's ability to repay the Notes at maturity is dependent upon the financial success of the individual churches to which CEP makes loans, which alone may not be sufficient to pay principal and interest on the Notes at maturity.

## CHURCH LOANS

1. Payments, Interest Rates, and Security: Church loans are repayable to CEP in monthly installments of principal and interest, generally over a 20- to 30- year period. Loans are offered at variable rates. Variable rates call for adjustments every three (3) years. Interest rates on church loans are subject to CEP's cost of money. Most church loans are secured by a mortgage or trust deed on the church property.

2. Loan Procedures: Loan applications are reviewed by CEP's Loan Committee, taking into consideration the following guidelines: (1) the amount of the loan generally is not more than 65% of the estimated value of the church property being pledged as security, and (2) generally the loan payment does not exceed 30% of the churches annualized general fund income. In those instances, where the church loan is secured by a second rather than a first mortgage or trust deed, the maximum loan that a church generally may qualify for is determined by the following guideline: the total amount of the first and second mortgages or deeds of trust combined may not exceed 50% of the estimated value of the related church property.

3. Loan Committee: The Loan Committee consists of loan specialists, consultants, controller, chief financial officer, and the president. After evaluation of all underwriting criteria, final determination is made by the chief financial officer and the president.

4. Allowance for Loan Losses: CEP maintains an allowance for loan losses which management considers to be adequate to cover potential losses. (See AUDITED FINANCIAL STATEMENTS, footnote 4).

5. Summary of Church Loans: Since its beginning, CEP has financed more than 2,400 churches. As of December 31, 2020, CEP had 756 outstanding church loans.

6. Unsecured Loans: CEP's unsecured loans will not exceed ten percent (10%) of its loan portfolio as provided in the NASAA statement of policy. As of December 31, 2020, CEP's unsecured loans were less than one percent (1%) of its loan portfolio.

## PLAN OF DISTRIBUTION

1. Advertising, Marketing, and Sales: CEP advertises promotional material for print in publications such as, but not limited to, Assemblies of God district publications and in direct mail. CEP's marketing and sales is directed to a limited class of investors, namely persons who are somehow connected with or have shown interest in the Assemblies of God, CEP, or in a program, activity or organization which constitutes a part of the Assemblies of God, CEP, or any

other church organizations that have a programmatic relationship with the Assemblies of God or CEP.

2. No Agreements/Commissions: No underwriting or selling agreements exist, and no direct or indirect commissions or other remuneration will be paid to any individual or organization in connection with the offer and sale of the Notes. All salespersons are salaried employees of CEP.

3. General Fund: Proceeds from Notes are deposited to CEP's general fund, which is used primarily to make loans to Assemblies of God churches and organizations and to pay CEP's operational expenses, including the (i) expenses of this offering, (ii) interest and principal on the Notes, and (iii) other debt obligations. To the extent the proceeds are not immediately needed for these purposes, CEP will also use the proceeds to make investments.

4. General Unsecured Obligations: Notes are general unsecured obligations of CEP.

### TAX ASPECTS

Although CEP is a non-profit corporation exempt from income taxation, interest earned from investment in these Notes is taxable income to the investor. The purchase of the Notes cannot be taken as a contribution deduction for income tax purposes. A professional tax advisor should be consulted regarding all tax matters.

### LITIGATION & OTHER MATERIAL TRANSACTIONS

As of the date of this Offering Circular, there are no suits, actions, or other legal proceedings or claims involving Notes, nor are any such actions pending against CEP. No material legal proceedings or claims have been brought against CEP involving its securities or otherwise since the formation of CEP. There is no litigation pending against any director or executive officer of CEP in connection with their duties.

### SECURITY

1. Security for Unsecured Note-Holders: Notes are general unsecured obligations of CEP.

2. Security for CEP for Loans Made: Most church loans are secured by a mortgage or trust deed on the church's property. In the event of default, there is no guarantee that the value of CEP's security, if any, would be sufficient to pay the full amount owed to CEP. Other considerations regarding CEP's security for loans made to churches are as follows:

a. Foreclosure: Foreclosure of a mortgage or trust deed may be accomplished by judicial action; however, in most jurisdictions, foreclosure of a trust deed is generally accomplished by a non-judicial trustee's sale under provisions in the trust deed that authorizes the trustee to sell the property at a public sale. Although third parties may bid at the public sale, in most cases the lender acquires the property by bidding the amount owed. As owner, the lender assumes the burden of ownership, including insurance, real property taxes, maintenance, repairs, and cost of sale. The net proceeds from the sale of the property may not be sufficient to cover the lender's investment in the property.

b. Rights of Redemption: In California, where a large percentage of CEP's loans have been made, as well as in Oregon and other jurisdictions, the borrower and certain foreclosed junior lien holders are given a statutory right of redemption following a judicial foreclosure



sale, but not following a non-judicial foreclosure sale. This right of redemption diminishes the ability of the lender to sell the foreclosed property. The exercise of a right of redemption would defeat the title of any purchaser at a judicial foreclosure sale or of any purchaser from the lender subsequent to judicial foreclosure. Consequently, the practical effect of the redemption right is to force the lender to maintain the property and pay the expenses of ownership until the redemption period has expired. This is the primary reason that most foreclosures of trust deeds are non-judicial.

c. Anti-Deficiency Legislation and Other Limitations on Lenders: Most states have imposed statutory restrictions which limit the remedies of a beneficiary under a trust deed. Such restrictions include (a) that a beneficiary is not entitled to obtain a deficiency judgment against the borrower following a non-judicial foreclosure sale and (b) limiting the amount of the deficiency judgment a lender may obtain following a judicial foreclosure sale to the excess of the outstanding debt over the greater of (1) the sale price or (2) the fair market value of the property at the time of such sale. The purpose of these statutes is to prevent a lender from obtaining a large deficiency judgment against the former borrower as a result of low bids or no bids at the foreclosure sale. A deficiency judgment is a judgment against the former borrower equal to the difference between the amount due to the lender and the net amount realized at the foreclosure sale.

## MANAGEMENT

CEP is managed by its board of directors (“Board”). CEP’s membership consists of 59 of the 67 member Districts of the Assemblies of God. Each District is entitled to have representation on the Board when its interest in CEP reaches a certain percentage, as determined by CEP’s bylaws. In each such case, the Superintendent of such District is, by virtue of his office, a member of CEP’s Board. Each member of the Board of Directors shall serve for a term of five years, with the exception of the President of the Corporation who shall serve by virtue of the office for so long as he is the President. Decisions relating to day-to-day operations are made by the President and administrative officers. Such responsibilities include the processing and approving of church loans, loan disbursements, and collections on church loans.

1. Direct/Indirect Remuneration to Officers and Directors: The administrative officers consist of the president, one (1) senior vice president, one (1) vice president, two (2) assistant secretaries, and one (1) assistant treasurer. Remuneration for 2020, which includes salaries and applicable fringe benefits such as housing allowances, health and other insurance benefits, retirement plan contributions, and bonuses, was as follows:

President:	\$279,972
Vice Presidents:	\$342,604
Assistant Secretaries and Treasurer:	\$135,937

Board members, except for the President, are not employees of CEP and, therefore, receive no remuneration other than a \$200 per diem allowance plus expenses incurred for attending Board meetings.

Board Expenses for 2020 totaled:	\$42,981
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2. Material Employment Information: There are no material employment contracts, prerequisites of employment, or conflicts of interest of CEP's officers, directors, or persons having authority.

3. Pending Criminal Proceedings: No director or officer, during the past ten (10) years, has been convicted of any criminal proceeding (other than perhaps traffic violations or other minor misdemeanors), is the subject of any pending criminal proceedings, or was the subject of any order, judgment, or decree of any court enjoining such individual from any activities associated with the offer or sale of securities.

### EXECUTIVE OFFICERS

Peter F. Clements, President

4070 27<sup>th</sup> Court SE, Suite 210, Salem, OR 97302

- Employed by CEP since 1995 and elected President in 2017. The term of office is four (4) years or until the successor to the President is elected and qualifies. Current term expires December 2024.
- Chief Financial Officer 2006 - 2017
- Vice President of Technology 1999 - 2017
- Master of Business Administration in Technology Management, University of Phoenix 1999
- Database Management Specialist, Nike, Inc., Beaverton, OR
- Corporate Computing Coordinator, CH2M Hill, Corvallis, OR
- Bachelor of Science in Business Administration, Oregon State University 1994

Stephen L. Harris, Director, Chairman of Board of Directors

2601 E Thomas Road, Suite 210, Phoenix, AZ 85016

- Director since 2004
- Chairman of the Board/Executive Officer of CEP since 2017. Elected for a three (3)-year term. May be re-elected at end of term.
- Superintendent of the Arizona Ministry Network since 1999
- Bachelor of Arts in Bible, Central Bible College 1972
- Licensed to preach by Oklahoma District 1974
- Ordained in Rocky Mountain District 1976
- Pastoral Ministry 1976 – 1999
- Presbyterian of the Northeast Section 1981 – 1985
- Executive Presbyterian Board, North Area Executive Presbyterian 1985
- Assistant Superintendent, Arizona District Council 1995 – 1999
- Board Member, American Indian College; Southwestern Assemblies of God College; Teen Challenge Arizona, Inc.; Vanguard University and Corban University.

Terrell R. Raburn, Director, Secretary

1437 E. Memorial Blvd, Lakeland, FL 33801

- Director since 1999
- Secretary/Executive Officer of CEP since 2016. Elected for a three (3)-year term. May be re-elected at end of term.
- Superintendent of the Peninsular Florida District Council since 1996

- BA in Sociology with Minor in Political Science, University of Alabama, Birmingham, AL
- MAML, Southeastern University, Lakeland, FL
- DMIN, Southeastern University, Lakeland, FL
- Currently pursuing a DMIN, Southeastern University, Lakeland, FL
- Chairman of the Board, Southeastern University, Lakeland, FL
- Ordained Minister 1974
- District Youth Director 1981 – 1985
- National Youth Director 1985 – 1990
- National Church Director 1990 – 1996

William E. Wilson, Director, Treasurer  
5745 Inland Shores Way N, Keizer, OR 97303

- Director/Superintendent of the Oregon Ministry Network since 2007
- Treasurer/Executive Officer of CEP since 2012. Elected for a three (3)-year term. May be re-elected at end of term.
- Pastoral ministry 1972 – 2007
- Ordained 1975
- Bachelor of Science, Bethany Bible College 1973
- Masters in Missional Leadership, Northwest University 2014
- Honorary Doctor of Divinity, Northwest University 2019
- Network Presbyter
- General Presbyter, General Council of the Assemblies of God
- Current and past boards served on: AG Executive Presbyter (Northwest Region), Northwest University, Vanguard University, Oregon World Missions, Oregon NAE, AG COCHE, AGWM

### BOARD OF DIRECTORS

Abner Adorno, Director  
830 California Woods Circle, Orlando, FL 32824

- Director/Superintendent of Florida Multicultural District Council (FMD) since 2020
- Assistant Superintendent of Florida Multicultural District Council 2018-2020
- General Presbyter, FMD 2016-2018
- Board of Trustees, Southeastern University 2014 – present
- Founder, Living Word Academy 1999-present
- Sr. Pastor/Co-Founder, Viva Church, Orlando, FL 1994-present
- Hispanic Community Liaison, Orange County Public Schools 2004-2008
- Regional Youth Director, FMD 1988-92
- Cert, Human Behavior, 2013
- Cert. Life Coach, 2012
- Ordained, FMD, 2010
- Licensed to Preach, FMD, 1990
- Theology, Multicultural School of Ministry, 1989-94
- Associates in Leadership, Southeastern University, 1989

Bret L. Allen, Director

6051 S. Watt Avenue, Sacramento, CA 95829

- Director/Superintendent of Northern California/Nevada District Council since 2016
- Senior Pastor, Bethel Church, San Jose, CA 2005-2016
- District Youth Director of Northern California/Nevada District Council 2000-2005
- Youth Pastor, Calvary Temple, Concord, CA 1993-2000
- Missionary to Mexico 1991-1993
- Youth Pastor, United Methodist Church, Concord, CA 1986-1991
- Leadership Author of three books
- Pastoral Ministry began in 1986

Manuel A. Alvarez, Director

213 Old Tappan Road, Old Tappan, NJ 07675

- Director/Superintendent of Spanish Eastern District Council since 2013
- Senior Pastor, First Spanish Assemblies of God 1994-2013
- Pastor of Pentecostal Church Antioquia 1989-1994
- District Youth Director, Presbyter of the Pennsylvania Section and General Presbyter
- Graduated from Hunter College, Bachelor of Arts in Music and Masters Degree in Counseling
- Professor at Hunter College, also taught in the Spanish Eastern School of Theology
- Secretary of the Board of Directors of Valley Forge Christian College 2003-2013
- Served on the Board of Southeast Medical Health Center, Lancaster, PA
- Principal of the Spanish Eastern Bible Institute (Lancaster, PA branch)
- Dean of the Spanish Eastern School of Theology (Lancaster, PA satellite)
- Presently serving on the Board of Northpoint College, Missions World Regional Conference, Spanish Eastern School of Theology, University of Valley Forge, AG Commission on Ethnicity, Fraternidad Hispana Mundial de las Asambleas de Dios (FRAHMAD), and Confraternidad de Lideres Conciliares (CONLICO)

H. Franklin Cargill, Director

8701 North Kelley, Oklahoma City, OK 73113

- Director/Superintendent of the Oklahoma District Council since 2000
- Bachelor of Arts in Music Education, Oklahoma State University
- Masters in Education, University of Central Oklahoma
- Pastoral Ministry, 18 years in Oklahoma District Council
- Credentialed minister in Oklahoma District Council, Exhorter's Permit 1969, Licensed minister 1971, Ordained 1972
- Oklahoma District Youth Director, 7 years
- Oklahoma District Assistant Superintendent, 17 years
- Presbyter, General Council of the Assemblies of God
- Serves as Chairman on Board of Regents, Southwestern Assembly of God University, Waxahachie, TX
- Serves on Board of Regents, American Indian College, Phoenix, AZ
- Serves on Board of Trustees, Evangel University, Springfield, MO

Mark Dean, Director

1315 Portland Avenue South, Minneapolis, MN 55404

- Director/Superintendent of Minnesota District Council since 2017
- District Youth Director of Minnesota District Council since 1989
- Pastoral Ministry began in 1979
- Graduate of North Central University

Ivan de la Torre, Director

Urb Santa Monica Cal 3A/Z-10, Bayamon, PR 00957

- Director/Superintendent of the Puerto Rico District Council since 2016

Nicholas W. Fatato, Director

307 Sturbridge Rd., Charlton, MA 01507

- Director/Superintendent of the Southern New England Ministry Network since 2019

Guy Fisher, Director

10525 Buena Vista Ct., Urbandale, IA 50322

- Director/Superintendent of the Iowa Ministry Network since 2019

Doyle A. Fulkes, Director

711 Lone Star Road, Nampa, ID 83651

- Director since 2004
- Superintendent of the Southern Idaho Ministry Network since 2001
- Bachelor of Science in Christian Ministry, Southwestern University, Waxahachie, TX 1973
- Masters Degree in Organizational Leadership, George Fox University 2005
- Doctorate of Divinity, Northwest University 2020
- Pastoral Ministry in Southern Idaho Ministry Network since 1976
- District Youth Director, Southern Idaho Ministry Network one (1) year
- District Secretary, Southern Idaho Ministry Network, 11 years

Jesse L. Galindo, Director

6051 South Watt Avenue, Sacramento, CA 95829

- Director/Superintendent of Central Pacific Ministry Network since 2014
- Bethany Bible College Degree Assemblies of God, Tijuana, Mexico 1971-1973
- Trinity Bible College, Assemblies of God 1979-1980
- Pastoral Ministry in California 1986-2005
- Missionary Builder in El Salvador, Guatemala, Mexico, Honduras, Nicaragua, and Costa Rica 2003-present
- Assistant Superintendent of North Pacific District Latin American District 2005-2006
- Secretary Treasurer of North Pacific District Latin American District 2006-2014

Donald G. Gifford, Director

8750 Purdue Road, Indianapolis, IN 46268

- Director/Superintendent of the Indiana District Council since 2004
- Bachelor of Arts in Pastoral Studies from North Central University, Minneapolis, MN

- Masters in Biblical Literature from Assemblies of God Theological Seminary
- Ordained in the Indiana District Council 1978
- Pastoral Ministry in Wisconsin and Indiana 1974 – 2003
- Assistant Superintendent of the Indiana District Council 1992 – 2003

Richard M. Guerra, Director

17951 Cowan Street, Irvine, CA 92614

- Director/Superintendent of the SoCal Network Assemblies of God since 2010
- Assistant Superintendent of the SoCal Network Assemblies of God 2007-2010
- Senior Pastor of Visalia First Assembly of God, Visalia, CA for 12 years
- Senior Pastor of Trinity Life Center, Las Vegas, NV 1990-1995
- Singles Pastor for Capital Christian Center in Sacramento, CA
- Youth Ministries Director for the Southern California District in 1984
- Bachelor of Arts in Religion, Vanguard University of Southern California
- Master of Arts in Religion, Vanguard University of Southern California

Jeff Hlavin, Director

10370 Citation Drive, Brighton, MI 48116

- Director/Superintendent of the Michigan District Council since 2015
- President Associated District Schools of Ministry
- Board of Regents for North Central University
- Secretary-Treasurer of the Assemblies of God, Michigan District 2008 - 2015
- Executive Presbyter from 1996 - 2002, 2005 - 2008
- Sectional Presbyter from 1991 - 1996, 2002 - 2004
- Graduate of Oakland University
- Pastoral Ministry, 33 years

Scott Holmes, Director

2717 North MacArthur Drive, Alexandria, LA 71303

- Director/Superintendent of the Louisiana Network Ministry since 2014
- Bachelor of Science, Geology, Centenary College
- Master of Arts, Bible Theology, Southwestern Assemblies of God University
- Doctor of Ministry, Assemblies of God Theological Seminary, 2021
- Pastoral Ministry, 16 years in the Louisiana Network Ministry
- Missionary in Marshall Islands
- Missionary in Russia
- Board of Regents, Southwestern Assemblies of God University
- Executive Board Member of CompAct Ministry, Hot Springs, AR
- Board Member of Louisiana Teen Challenge
- General Presbyter, General Council of the Assemblies of God

Klayton Ko, Director

3400 Moanalua Road, Honolulu, HI 96819

- Director/Superintendent of the Hawaii District Council since 2014
- Senior Pastor of First Assembly of God since 1994
- Completed ministerial studies for ordination through Global University in 2002
- Serves on the Board of Convoy of Hope
- Serves on the Board of Northwest University
- Chairman of the Advisory Board of Christian Academy Schools
- Planted churches in Hawaii and 11 others around the world

Clemente Maldonado, Jr., Director

2001 Midwest Road, Suite 307, Oakbrook, IL 60523

- Director/Superintendent of the Midwest Latin American District Council since 2006
- Secretary/Treasurer of the Midwest Latin American District 1996 - 2006
- Board of Regents for North Central University
- Pastor of churches in Oklahoma, Michigan, and Illinois
- Pastoral Ministry, 37 years
- Associates of Arts in Theology, Latin American Bible Institute, El Paso, TX 1978

Dennis W. Marquardt, Director

501 Riverside Street, Portland, ME 04103

- Director/Superintendent of the Northern New England District Council since 2002
- Assistant Superintendent of the Northern New England District Council 1997 – 2002
- Master of Arts in Christian Ministry, Assemblies of God Theological Seminary 2017 (*Magna Cum Laude*)
- Bachelor of Arts in Bible, Central Bible College, Springfield MO 1974
- Pastoral Ministry, 28 years
- Member, College Board of Trustees, University of Valley Forge 1999 – present
- Member and Vice-Chair, College Board of Trustees, Northpoint Bible College and Graduate School 2002 – present

Sergio Navarrete, Director

614 S Fifth Avenue, La Puente, CA 91746

- Director/Superintendent of the Southern Pacific District since 2002
- Bachelor of Arts in Biblical Studies, Latin American Bible College 1983
- Masters in Divinity in Multicultural Studies, Fuller Theological Seminary 1991
- Doctor of Ministry in Spiritual Foundation, Azusa Pacific University 2000
- Pastoral Ministry in Spring Valley, CA 1985 – 1988
- Director of Hispanic Department, Christian Crusade, Long Beach, CA 1988 – 1998
- District Presbyterian, San Bernardino Section of the Southern Pacific Latin American District 1998 – 2002
- Academic Dean, Latin American Bible Institute 1994 – 2002

Gilbert Daniel Olivarez, Director

71510 Sherman Street, Denver, CO 80221

- Director/Superintendent of the Central District since 2017

- Assistant Superintendent of Central District 2009 - 2017
- Bachelor of Arts in Christian Education, Southwestern Assemblies of God University 1977
- Pastoral Ministry began in 1977

David Phillips

2147 Overland Ave., Ste. 100, Billings, MT 59102-6478

- Director/Superintendent of the Montana Ministry Network since 2019
- Network Assistant Superintendent 2017-2019
- Network Secretary 2012-2017
- Bachelor of Arts, Northwest University 1980

Gene Roncone

6295 Lehman Dr., Ste 202, Colorado Springs, CO 80918

- Director/Superintendent of the Rocky Mountain Ministry Network since 2019
- East Slope Executive Presbyter for the Rocky Mountain Ministry Network 2018-2019
- Lead Pastor of Highpoint Church in Aurora, Colorado 2002-2019
- Director of Christian Education & Assistant to the Superintendent for Northern California & Nevada District Office 1997-2002
- Lead Pastor of Alamo Christian Assembly in Alamo, California 1992-1997
- Lead Pastor of Live Oak Assembly of God in Live Oak, California 1990-1992
- Christian Education Pastor at Glad Tidings Assembly of God in Omaha, Nebraska 1989-1990
- Western Seminary in Los Gatos, California (one year studying Expository Preaching) 1988-1989
- Bachelor of Arts in Biblical Studies from Bethany Bible College in Scotts Valley, California 1985-1989
- Authored several books including, *Rise Up, Isolation in Ministry, Explore the Call, Prevailing Over Impossibility and A Season for Legacy*

Phillip B. Schneider, Director

17280 Lakeside Drive, Carlinville, IL 62626

- Director/Superintendent of the Illinois District Council since 2012
- General Presbyter, General Council of the Assemblies of God 2011
- Executive Presbyter, Southern Region 2008
- Presbyter, Metro North Section 2000
- Pastor, Cornerstone Assembly of God, Bethalto, IL 1990-2012
- Served the Illinois District since 1980
- Illinois Youth Camps 30 years
- Bachelor of Arts in Bible, Central Bible College, Springfield, MO
- Board Member, Teen Challenge Illinois
- Board of Regents, North Central University, Minneapolis, MN



Roy W. Welch III, Director

1048 W Int'l Airport Road, Suite 101, Anchorage, AK 99518

- Director/Superintendent of the Alaska Ministry Network since 2008
- Assistant Superintendent of the Alaska District Council 2000 - 2008
- Pastoral ministry 1986 – 2008
- Bachelor of Arts in Bible, Central Bible College 1986
- General Presbyter, General Council of the Assemblies of God
- Northwest University Board of Directors
- Southeast Alaska Section Presbyter
- Western Alaska Section Presbyter
- World Missions Director

### INVESTMENTS BY OFFICERS & DIRECTORS

As of December 31, 2020, Officers and Directors of CEP had investments with CEP totaling \$3,692,778. In addition, member and non-member districts of the Assemblies of God had investments as of December 31, 2020 totaling \$38,864,034.

### FINANCIAL STATEMENTS

CEP's most recent audited financial statements are available to investors within 120 days of its most recent fiscal year-end and are found beginning at page 44 of this Offering Circular. The audited financial statements are available upon request, or at [www.cepnet.com](http://www.cepnet.com).

CEP's interim financial reports for the most recent unaudited period are also available to investors upon request, or at [www.cepnet.com](http://www.cepnet.com), and accompany this Offering Circular as an insert for investors.

### AUDITORS

The financial statements included in this Offering Circular have been audited by Aldrich CPAs & Advisors LLP whose report is found beginning on page 44.

### UNDERWRITING

There is no underwriter involved in the issuance of CEP's securities. CEP's securities are offered solely to a limited class of potential investors: members of, contributors to (including investors), participants in the Assemblies of God, including any program, activity, or organization which constitutes a part of the Assemblies of God, or CEP or other religious organizations that have a programmatic relationship with the Assemblies of God or CEP.

### LEGAL MATTERS

Certain legal matters in connection with the securities offered hereby will be passed upon for CEP by B. Rupert Koblegarde, Attorney at Law. Mr. Koblegarde has issued a legal opinion which states, among other things, that the securities issued pursuant to the terms of this Offering Circular, when properly endorsed by officials of CEP, will constitute legal and valid obligations of CEP, all according to the terms and conditions of these securities.

## ADMINISTRATIVE MATTERS

1. Additional Information: This Offering Circular does not contain all the information set forth in the registration or notice statements filed by CEP with the various State Securities Divisions. That additional information may be inspected without charge by any person during normal working hours at the Offices of the various State Securities Divisions.
  
2. Exempt from Federal Registration: The offer and sale of these securities have not been registered with the Securities and Exchange Commission in reliance on the exemption from registration contained in Section 3(a)(4) of the Securities Act of 1933, as amended.

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# Financial Statements

DECEMBER 31, 2020, 2019, and 2018

## Contents

Independent Auditors' Report .....	1
Financial Statements	
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Cash Flows .....	5
Notes to Financial Statements .....	7



Aldrich CPAs + Advisors LLP  
680 Hawthorne Ave. SE #140  
Salem, Oregon 97301

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Church Extension Plan  
Salem, Oregon

We have audited the accompanying financial statements of Church Extension Plan (the Ministry, a nonprofit corporation), which are comprised of the statements of financial position as of December 31, 2020, 2019, and 2018, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these 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 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 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Church Extension Plan as of December 31, 2020, 2019, and 2018 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.

### **NASAA Statement of Policy Guidelines**

As discussed in Note 22 to the financial statements, at December 31, 2020, 2019, and 2018, the Ministry did not meet one of the guidelines established by the North American Securities Administrators Association, Inc. (NASAA). The Ministry does not anticipate significant changes to its ability to sell or renew notes or certificates in the applicable states.

### **Contingency**

As discussed in Note 23 to the financial statements, there is considerable uncertainty around the duration of COVID-19 and its impact on the Ministry.

*Aldrich CPAs + Advisors LLP*

Salem, Oregon  
March 5, 2021

## Statements of Financial Position

December 31, 2020, 2019, and 2018

	2020	2019	2018
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 14,617,541	\$ 18,238,312	\$ 26,007,204
Investments and unitrust assets	51,012,248	20,822,480	10,263,537
Receivables:			
Mortgage notes, net	460,194,857	475,527,348	482,548,227
Church loans unsecured	941,248	1,004,190	1,437,032
Interest and other receivables	4,334,615	4,248,561	4,105,831
	<u>465,470,720</u>	<u>480,780,099</u>	<u>488,091,090</u>
Other assets	153,901	132,345	246,544
Property and equipment, net	4,563,464	4,654,973	4,794,907
Other rental property, net	4,811,306	4,867,124	5,591,834
Other real estate owned (OREO), net	16,096,999	18,669,325	22,511,734
	<u>\$ 556,726,179</u>	<u>\$ 548,164,658</u>	<u>\$ 557,506,850</u>
<b><u>Liabilities</u></b>			
Accounts, interest and other payables	\$ 1,801,089	\$ 1,462,248	\$ 1,469,866
Notes and certificates payable:			
Paycheck Protection Program loan	593,500	-	-
Unsecured:			
Notes	510,729,842	498,617,224	504,805,172
Certificates	31,606,333	36,931,242	40,976,741
Total notes and certificates payable	<u>542,929,675</u>	<u>535,548,466</u>	<u>545,781,913</u>
Gift annuities and unitrust obligations	644,219	486,682	456,832
Total liabilities	<u>545,374,983</u>	<u>537,497,396</u>	<u>547,708,611</u>
<b><u>Net Assets</u></b>			
Assets without donor restrictions	11,042,347	10,408,682	9,569,253
Assets with donor restrictions	308,849	258,580	228,986
Total net assets	<u>11,351,196</u>	<u>10,667,262</u>	<u>9,798,239</u>
	<u>\$ 556,726,179</u>	<u>\$ 548,164,658</u>	<u>\$ 557,506,850</u>

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

2

## Statements of Activities

For the Years Ended December 31, 2020, 2019, and 2018

	2020	
	Amount	%
Changes in Assets without Donor Restrictions:		
Interest Income:		
Interest revenue, loans	\$ 25,646,957	100.00%
Less interest expense	17,874,955	69.70%
Net interest income	7,772,002	30.30%
Uncollectible Receivables Expense	559,000	2.18%
Interest income after uncollectible receivables expense	7,213,002	28.12%
Other Operating Income:		
Investment revenue	623,306	2.43%
Certificate revenue	13,914	0.05%
Contributions	124,503	0.49%
Other revenue	1,222,901	4.77%
Total other operating income	1,984,624	7.74%
Operating Expenses:		
Salaries	3,110,421	12.13%
Payroll taxes and personnel expenses	1,348,451	5.26%
Occupancy expense and supplies	922,999	3.60%
Professional fees	930,140	3.63%
Travel, lodging, and related expenses	164,692	0.64%
Advertising and promotion	166,925	0.65%
OREO expenses	1,625,057	6.34%
Directors' expenses	42,981	0.17%
Insurance, licenses, taxes, and other	252,295	0.98%
Total operating expenses	8,563,961	33.40%
Increase (decrease) in assets without donor restrictions	633,665	2.46%
Changes in Assets with Donor Restrictions		
Contributions	50,269	
Increase in assets with donor restrictions	50,269	
Increase (decrease) in net assets	683,934	
Net assets, beginning	10,667,262	
Net assets, ending	\$ 11,351,196	

3 The accompanying notes are an integral part of the financial statements.



2019		2018	
Amount	%	Amount	%
\$ 26,347,853	100.00%	\$ 26,226,397	100.00%
18,547,853	70.40%	18,366,850	70.03%
7,800,000	29.60%	7,859,547	29.97%
341,111	1.29%	228,554	0.87%
7,458,889	28.31%	7,630,993	29.10%
611,888	2.32%	34,914	0.13%
12,715	0.05%	7,129	0.03%
82,865	0.31%	766,761	2.92%
1,474,881	5.60%	1,275,568	4.86%
2,182,349	8.28%	2,084,372	7.94%
3,123,003	11.85%	3,247,034	12.38%
1,467,336	5.57%	1,514,241	5.77%
929,983	3.53%	915,203	3.49%
908,576	3.45%	887,123	3.38%
452,963	1.72%	564,335	2.15%
657,954	2.50%	641,731	2.45%
935,119	3.55%	2,032,229	7.75%
72,384	0.27%	92,377	0.35%
254,492	0.97%	718,053	2.74%
8,801,810	33.41%	10,612,326	40.46%
839,428	3.18%	(896,961)	-3.42%
29,595		34,251	
29,595		34,251	
869,023		(862,710)	
9,798,239		10,660,949	
\$ 10,667,262		\$ 9,798,239	

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

## Statements of Cash Flows

For the Years Ended December 31, 2020, 2019, and 2018

	2020	2019	2018
Cash flows from operating activities:			
Increase (decrease) in net assets	\$ 683,934	\$ 869,023	\$ (862,710)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Depreciation	653,281	656,810	593,187
Uncollectible receivable expense	684,502	575,908	90,366
Net certificate revenue	(14,326)	(12,715)	(7,129)
Certificate amortization	2,478,157	2,659,517	2,948,568
Compounded interest	11,573,606	11,894,056	10,578,062
(Gain) loss on investments	(113,974)	(381,297)	286,634
Adjustments to OREOs	1,077,550	418,008	1,235,190
(Gain) loss on disposal of property and equipment	(67,539)	(62,369)	-
Contribution from unitrust	(82,492)	-	-
Gain on redemption of certificates	(190,870)	(175,178)	(48,767)
(Increase) decrease in operating assets:			
Receivables	(745,063)	(1,034,041)	(1,670,902)
Other assets	(21,556)	114,200	(66,813)
Increase (decrease) in operating liabilities:			
Payables	180,590	(311,619)	(42,235)
Total adjustments	15,411,866	14,341,280	13,896,161
Net cash provided by operating activities	16,095,800	15,210,303	13,033,451
Cash flows from investing activities:			
Purchase of property and equipment	(189,267)	(118,361)	(118,431)
Purchase of and improvements to other rental property	(52,162)	(7,490)	(346,796)
Cash received from sale of other rental property	-	675,000	-
Principal collected on certificates receivable	127,730	122,465	152,158
Cash received from sale of OREOs	1,432,539	3,273,222	2,355,536
Improvements to OREOs	(134,750)	-	(85,641)
Mortgage fundings	(34,479,020)	(33,039,837)	(23,156,468)
Principal collected on mortgages	49,838,123	40,662,477	33,192,943
Purchase of investments	(86,541,035)	(29,236,829)	(3,508,396)
Proceeds from sale of investments	56,676,379	19,031,060	3,677,957
Net cash provided (used) by investing activities	(13,321,463)	1,361,707	12,162,862

5 The accompanying notes are an integral part of the financial statements.

**Statements of Cash Flows** *(continued...)*

For the Years Ended December 31, 2020, 2019, and 2018

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash flows from financing activities:			
Proceeds from borrowings	\$ 60,980,428	\$ 50,062,825	\$ 58,939,824
Net borrowings (repayments) on line of credit	-	-	(10,000,000)
Proceeds from Paycheck Protection Program loan	593,500	-	-
Principal payments on borrowings	(60,393,953)	(68,045,270)	(71,326,170)
Proceeds from issuance of annuities	28,892	-	-
Repayments on annuities and unitrusts, net	(47,462)	(41,585)	(69,392)
Payments on certificates payable	<u>(7,556,513)</u>	<u>(6,316,872)</u>	<u>(3,278,256)</u>
Net cash used by financing activities	<u>(6,395,108)</u>	<u>(24,340,902)</u>	<u>(25,733,994)</u>
Net decrease in cash	(3,620,771)	(7,768,892)	(537,681)
Cash and cash equivalents, beginning	<u>18,238,312</u>	<u>26,007,204</u>	<u>26,544,885</u>
Cash and cash equivalents, ending	<u>\$ 14,617,541</u>	<u>\$ 18,238,312</u>	<u>\$ 26,007,204</u>
Cash paid during year for interest	<u>\$ 3,814,569</u>	<u>\$ 3,987,212</u>	<u>\$ 4,848,025</u>

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

6

## Notes to Financial Statements

December 31, 2020, 2019, and 2018

(1) ***Summary of Significant Accounting Policies***

*Organization and Nature of Activities*

Church Extension Plan (the Ministry) was founded in 1950 and incorporated in 1952 as a nonprofit corporation in the state of Oregon. The Ministry's primary purpose is to provide financial and administrative services to churches, districts, members, and friends of the Assemblies of God across the United States of America and Puerto Rico. In addition, through its New Growth Partners program, the Ministry leases property to start-up churches at a low cost until those churches are able to acquire property on their own.

The Ministry's primary source of revenue is interest income generated from its mortgage lending program. The mortgage lending program is available to Assemblies of God districts, churches and related organizations throughout the United States of America and Puerto Rico. Funding for the mortgage lending program comes from the sale of promissory notes as described in Note 11, as well as from 20-year church certificates (see Note 12). Funding for the Ministry's New Growth Partners program is derived from donations.

Church Extension Plan has successfully assisted more than 3,000 Assemblies of God ministries.

*Cash and Cash Equivalents*

The Ministry considers all short-term, highly liquid investments to be cash equivalents, including money market accounts and short-term certificates of deposit with original maturities of one year or less. Short-term certificates of deposit are recorded at cost.

*Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits*

The Ministry maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The amount of cash and cash equivalents the Ministry had in excess of insured amounts was \$14.1 million at December 31, 2020; \$17.6 million at December 31, 2019; and \$25.3 million at December 31, 2018. The Ministry has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

*Certificate Program*

Certificates generally sell for \$1,000, but prices range from \$500 to \$5,000. The purchase price of the certificate may be paid over 50 months with no interest. Since no interest is charged on financing certificates, the related receivable is discounted to the estimated present value. In 2020, 2019, and 2018, the estimated present value of the certificates receivable was based on discount rate of 3.0%.

The certificates mature in 20 years at 150% of the original purchase price. At the time of sale, the maturity value is discounted to an estimated present value which is recorded as a liability. For 2020, 2019, and 2018, the estimated present value of the certificate maturity was based on a discount rate of 3.0%.

Certificate revenue is recognized by the amount that the estimated present value of the certificate receivable at the time of sale exceeds the estimated present value of the certificate's maturity value.

## Notes to Financial Statements *(continued...)*

December 31, 2020, 2019, and 2018

### **(1) Summary of Significant Accounting Policies *(continued)***

#### Certificate Program *(continued)*

The difference between (a) the present value of the certificate payable and (b) the maturity value of the certificate payable is called the certificate discount. It is amortized to expense using the effective interest method over the life of the certificate, 20 years.

The Ministry has discontinued the Partners Plus Church Certificate securities offering effective January 1, 2021. The Ministry will continue to meet its ongoing obligation with regard to certificates payables at maturities for all certificates purchased prior to January 1, 2021 (see Note 12).

#### Mortgages Receivable and Allowance for Credit Losses

Mortgages are stated at the amount of unpaid principal, reduced by an allowance for credit losses. Interest is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Accrual of interest is discontinued on a loan when management believes the borrower's financial condition is such that collection of interest is doubtful. Management makes this decision after considering economics, business conditions and collection efforts. Recognition of interest income is resumed when the loan holder demonstrates it can make regular payments.

The allowance for credit losses is an amount management believes will be adequate to absorb possible losses on existing mortgages based on evaluations of the collectability of the mortgage, prior mortgage loss experience, changes in the nature and volume of the portfolio, overall portfolio quality, underlying collateral including certificates pledged as security, review of specific troubled mortgages and economic conditions that may affect the borrower's ability to pay. Management analyzes the adequacy of the allowance on an individual basis for mortgages on a non-accrual basis or 90 or more days past due and on a collective basis for all other mortgages. While management utilizes all available information to make its evaluations, further adjustments to the allowance may be necessary if significant unforeseen conditions occur.

The allowance for credit losses is established through a charge to the uncollectible receivables expense. Mortgages are charged against the allowance for credit losses when management believes the collectability of the principal is unlikely. Past due status is determined by the number of payments that are in arrears. Mortgages with three or more payments in arrears are considered delinquent. In accordance with the Ministry's plan and mission, the Ministry diligently works with its mortgage note holders to find solutions for those who are having difficulty meeting their payment agreement.

The Ministry makes loans to churches in certain areas that have experienced seismic activity, hurricanes, floods and other natural disasters in the past. Most churches do not carry casualty insurance on church buildings covering these perils because of limited availability, high premium cost and the large percentage of self-insurance required under those available policies.

#### Other Assets

Other assets consist of the cash surrender value of officer life insurance and prepaid items including insurance, property taxes, and software maintenance agreements.

## Notes to Financial Statements *(continued...)*

December 31, 2020, 2019, and 2018

### **(1) Summary of Significant Accounting Policies *(continued)***

#### Property and Equipment and Depreciation

Property and equipment are stated at historical cost. Maintenance and repairs are charged to expense as incurred; major improvements are capitalized. Upon retirement or sale of assets, the cost and accumulated depreciation of the assets disposed are removed from the accounts and resulting gains or losses are recognized as other income. Depreciation is computed using the straight-line method based on their estimated useful life. It is the Ministry's policy to capitalize property and equipment over \$2,500. Lesser amounts are expensed.

#### Other Rental Property

The Ministry has acquired other real property either through donation of the property on a noncash basis or by being purchased by the Ministry through donated dollars. The Ministry leases to these properties to churches or other ministries on a month-to-month basis. The properties are recorded at historical cost or fair market value at the date of donation. Depreciation expense is charged to operations as incurred, and lease income is recorded as other income in the Statement of Activities.

#### Other Real Estate Owned and Allowance for Loss

Other real estate owned consists of land and church facilities acquired by the Ministry in satisfaction or partial satisfaction of mortgage notes receivables. OREOs are recorded at the lower of the carrying value of the mortgage or the fair market value minus estimated costs to sell. Costs of holding foreclosed property are charged to expense in the current period; however, significant property improvements are capitalized to the extent the carrying value does not exceed the estimated fair market value.

The allowance for losses is an amount management believes will be adequate to absorb possible losses on existing OREOs based on evaluations of the realizable value of the property. Management analyzes the adequacy of the allowance on an individual basis for each property. The allowance for losses is established through a charge to OREO expense and reported on the Statement of Activities.

The Ministry records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. If the Ministry finances the sale of OREO to the buyer, the Ministry assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on the sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Ministry adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

#### Fair Value Measurements

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

## Notes to Financial Statements *(continued...)*

December 31, 2020, 2019, and 2018

### **(1) Summary of Significant Accounting Policies *(continued)***

#### Fair Value Measurements *(continued)*

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Ministry has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Listed below are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020, 2019, and 2018.

*Certificates of Deposit:* Valued at fair value based on the quoted prices in the active market on which the certificates are sold.

*US Government Securities:* Valued at the closing price reported on the active market on which the securities are sold.

*Corporate and State Bonds:* Valued at fair value based on the quoted prices of similar securities in the active market on which the individual securities are sold.

*Mutual Funds:* Valued at the closing price reported on the active market on which the securities are sold.

*Receivables from Remainder Unitrusts:* Valued at the net present value of the Ministry's interest in the underlying assets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Ministry believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## Notes to Financial Statements *(continued...)*

December 31, 2020, 2019, and 2018

### **(1) Summary of Significant Accounting Policies *(continued)***

#### Functional Allocation of Expenses

Functional expenses (see Note 14) present the natural classification detail of expenses by function. Certain costs have been allocated between the program and supporting services on usage and other methods. The allocation has been retrospectively applied to the years ending December 31, 2019 and 2018.

#### Income Taxes and Uncertain Tax Position

The Ministry is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Exemptions from the State of Oregon corporation excise tax are provided by Oregon Revised Statutes 317.080. The Ministry follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification 740-10-65-1. The Ministry's exemption from income taxes is based on continuing with its exempt purpose, and, if it failed to continue to comply with its exempt purpose, it could be subject to income taxes. The Ministry's management believes its current operations are in compliance with its exempt purpose and has received no notices or indications to indicate otherwise.

#### Basis of Presentation

The financial statements of the Ministry have been prepared in accordance with U.S. generally accepted accounting principles, which require the Ministry to report information regarding its financial position and activities according to the following net asset classifications:

*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 objectives of the Ministry. These net assets may be used at the discretion of the Ministry's management and the Board of Directors.

*Net assets with donor restrictions* – 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 Ministry or by passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Ministry's assets with temporary restrictions are to be used for the future acquisition or improvements to church properties. The Ministry had no net asset funds held in perpetuity as of December 31, 2020, 2019, or 2018.

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 statements of activities.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Ministry's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



Notes to Financial Statements (continued...)

December 31, 2020, 2019, and 2018

(1) **Summary of Significant Accounting Policies (continued)**

Subsequent Events

The Ministry has evaluated subsequent events through March 5, 2021, which is the date the financial statements were issued.

(2) **Cash and Cash Equivalents**

Cash and cash equivalents consist of checking and savings accounts in banks, highly liquid investments with original maturities of three months or less, money market funds and certificates of deposit with original maturities of twelve months or less. The Ministry's cash and cash equivalents consist of checking and savings accounts in banks.

(3) **Church Loans Unsecured**

The Ministry had unsecured church loans of \$941,248, \$1,004,190, and \$1,437,032 at December 31, 2020, 2019, and 2018, respectively. The terms of the notes provide for varying repayment terms and interest rates.

In accordance with the Ministry's internal credit rating system (see Note 4), the classification of these loans at December 31, 2020 was Pass.

The following table summarizes the aging of the Ministry's unsecured church loans as of December 31:

Age of Church Loans unsecured	2020	2019	2018
0-90 Days	\$ 824,138	\$ 1,004,190	\$ 1,214,058
Greater than 90 days and still accruing	117,109	-	-
Nonaccrual	-	-	222,974
	\$ 941,248	\$ 1,004,190	\$ 1,437,032

During 2020, 2019, and 2018, the Ministry recognized \$73,579, \$74,108, and \$109,600, respectively, as interest income from these unsecured loans.

(4) **Mortgage Notes Receivable**

The Ministry administers the funding and collection of mortgage notes receivable primarily for the purpose of providing financing for the purchase, construction and renovation of physical facilities, and the acquisition of sites upon which new worship and education facilities can be constructed. The funding for the mortgages is obtained largely through the sale of promissory notes (see Note 11) and certificates (see Note 12) which are unsecured debt obligations of the Ministry.

## Notes to Financial Statements (continued...)

December 31, 2020, 2019, and 2018

**(4) Mortgage Notes Receivable (continued)**

Most church loans are secured by first mortgages or trust deeds on real property and are receivable over 20 to 40 years. Based on current lending rates, the fair value of these mortgage notes approximates their carrying amount. Net mortgage notes receivable balances at December 31 are as follows:

	2020	2019	2018
Mortgage notes receivable	\$ 473,714,616	\$ 488,456,510	\$ 495,871,697
Less allowance for loan losses	13,519,759	12,929,162	13,323,470
Net mortgage notes receivable	<u>\$ 460,194,857</u>	<u>\$ 475,527,348</u>	<u>\$ 482,548,227</u>

The mortgage notes receivable represented 746 loans at December 31, 2020 (773 and 777 loans at December 31, 2019 and 2018, respectively). The average interest rates for mortgage notes receivable were 5.80% in 2020, 5.93% in 2019, and 5.61% in 2018.

Future maturities of mortgage notes receivable for each of the next five years are as follows:

2021	\$ 11,980,195
2022	12,404,018
2023	12,894,013
2024	13,364,435
2025	13,871,592
2026 and thereafter	<u>409,200,363</u>
	<u>\$ 473,714,616</u>

*Credit Quality Information:* The credit quality of the loan portfolio is monitored using an internal rating system that reflects management's risk assessment based on an analysis of the borrower's financial condition, the condition of the church, cash flows, and the delinquency status of the loan. The internal system assigns one of the following four risk gradings: Pass, Special Mention (or Watch), Substandard, and Impaired. A description of the risk grading categories is listed below:

**Pass**

Assigned to loans which reflect acceptable risk.

**Special Mention (or Watch)**

Assigned to loans where the borrower exhibits trends that, if left uncorrected, may threaten their capacity to perform.

**Substandard**

Assigned to loans where the borrower exhibits weaknesses that raises questions to the full collectability of the loan, or the ultimate collectability of the loan is dependent upon the underlying collateral.

## Notes to Financial Statements (continued...)

December 31, 2020, 2019, and 2018

**(4) Mortgage Notes Receivable (continued)***Credit Quality Information (continued)***Impaired**

Assigned to loans which have been placed on nonaccrual status, are in the process of foreclosure, and where it has been determined that the Ministry will not be able to collect all amounts due according to the loan agreement. No interest is recognized on loans categorized under this risk grading, and, accordingly, any cash payments received on these loans would be a reduction of principal.

Management's classification of the loan portfolio in accordance with the Ministry's internal credit rating system is as follows:

<u>Grade or Rating</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Pass	\$ 370,046,523	\$ 418,328,383	\$ 416,800,481
Special Mention (or Watch)	70,731,844	42,945,520	53,209,993
Substandard	18,193,797	13,205,126	11,770,706
Impaired	14,742,452	13,977,480	14,090,518
Total	<u>\$ 473,714,616</u>	<u>\$ 488,456,510</u>	<u>\$ 495,871,697</u>

No cash payments were received and no interest was recognized on loans graded as impaired during the year ending December 31, 2020.

The following table summarizes the aging of the Ministry's mortgage notes receivable as of December 31:

<u>Age of Mortgage Notes Receivable</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
0-90 Days	\$ 401,124,093	\$ 447,411,053	\$ 452,896,290
91-120 Days	6,666,680	-	3,707,952
Greater than 120 and still accruing	19,499,404	2,089,945	3,579,957
Nonaccrual	46,424,439	38,955,511	35,687,498
Total	<u>\$ 473,714,616</u>	<u>\$ 488,456,510</u>	<u>\$ 495,871,697</u>

Management identified certain individual loans that required a specific loss allowance. The remaining allowance of approximately \$7.4 million, \$6.8 million, and \$7.2 million at December 31, 2020, 2019, and 2018, respectively, was evaluated on a collective basis for the loan portfolio. Activity in the loan allowance for credit losses is as follows.

## Notes to Financial Statements (continued...)

December 31, 2020, 2019, and 2018

**(4) Mortgage Notes Receivable (continued)**

	2020	2019	2018
Beginning balance	\$ 12,929,162	\$ 13,323,470	\$ 13,223,470
Additions charged to operations	680,286	341,111	228,554
Direct write-downs charged to allowance account	(89,689)	(735,419)	(128,554)
	<u>\$ 13,519,759</u>	<u>\$ 12,929,162</u>	<u>\$ 13,323,470</u>

Loan Commitments

The Ministry had unfunded loan commitments of approximately \$11.6 million, \$6.6 million, and \$11.7 million at December 31, 2020, 2019, and 2018, respectively.

Loan Modifications

The Ministry will at times make certain modifications to loans as part of its ongoing operations that it does not consider to be troubled debt restructures. These modifications may include extending the term of the loan, temporarily changing the required payment to interest only, or capitalization of interest. The net present value of the estimated future cash flows on these loans is not expected to materially differ from the loan contract. During the year that ended December 31, 2020, approximately \$0.2 million of interest was capitalized and added to the mortgage notes receivable. In 2019 and 2018, \$0.3 million and \$0.6 million were capitalized, respectively.

Restructures

In order to assist in resolving delinquencies related to troubled debts, the Ministry may choose to restructure loans in a manner that provides a period of time with reduced payments to provide opportunity for the borrower to resolve issues causing the delinquencies. Typical restructures include establishing new terms for the loan, capitalizing delinquent interest to the loan, and temporarily placing a portion of the loan on non-accrual status. Any amounts placed on non-accrual status would incrementally start accruing interest at the pre-restructured rate from one to five years from the date of restructure, depending on the agreement. The mission of the Ministry and the relationship it maintains with its borrowers is unlike that of a traditional lender; accordingly, the Ministry may be more willing to accept partial, deferred, or late payments. In addition, the Ministry may agree to modify loan terms as part of a loan restructuring in lieu of exercising its right to foreclose.

During the year ended December 31, 2020, the Ministry restructured two mortgage receivables that were classified as troubled debt (eight and three in 2019 and 2018, respectively). The aggregate unpaid balances of the mortgages at the times of restructuring were \$15,944,920 (\$8,988,246 and \$18,198,836 in 2019 and 2018, respectively) including \$195,237 in past due interest (\$211,328 and \$469,386 in 2019 and 2018, respectively). No losses were recorded on the restructurings, as the underlying collateral value of the mortgages exceeded the recorded investment in the mortgages or the present value of the future benefit stream did not materially differ from the loan contract.

Concentration of Delinquencies

At December 31, 2020, 2019, and 2018, the Ministry had approximately \$13,977,000, \$13,977,000, and \$3,249,000, respectively of loans in Puerto Rico on nonaccrual status.

## Notes to Financial Statements (continued...)

December 31, 2020, 2019, and 2018

**(5) Property and Equipment**

Property and equipment consist of the following at December 31:

	2020	2019	2018
Land	\$ 730,770	\$ 730,770	\$ 730,770
Building and improvements	5,529,272	5,382,738	5,351,933
Equipment and furniture	901,506	878,239	885,272
Software	145,794	133,709	104,526
	<u>7,307,342</u>	<u>7,125,456</u>	<u>7,072,501</u>
Less accumulated depreciation	<u>2,743,878</u>	<u>2,470,483</u>	<u>2,277,594</u>
	<u>\$ 4,563,464</u>	<u>\$ 4,654,973</u>	<u>\$ 4,794,907</u>

**(6) Other Rental Property**

Other rental property consists of the following at December 31:

	2020	2019	2018
Land	\$ 965,500	\$ 965,500	\$ 966,000
Building and improvements	4,745,695	4,693,533	5,463,323
	<u>5,711,195</u>	<u>5,659,033</u>	<u>6,429,323</u>
Less accumulated depreciation	<u>899,889</u>	<u>791,909</u>	<u>837,489</u>
	<u>\$ 4,811,306</u>	<u>\$ 4,867,124</u>	<u>\$ 5,591,834</u>

**(7) Other Real Estate Owned (OREO)**

As described in Note 1, the Ministry owns several parcels of property acquired through foreclosure or in a deed in lieu of foreclosure. The Ministry either attempts to sell the OREO or temporarily leases the property back to the churches with the intention that these churches will be able to repurchase the real estate in the future. The following schedule shows the breakdown between leasing and selling activities at December 31:

	2020	2019	2018
Actively selling	\$ 6,270,684	\$ 8,045,686	\$ 10,949,949
Leasing back to churches	12,975,246	12,955,495	14,368,560
Total	<u>19,245,930</u>	<u>21,001,181</u>	<u>25,318,509</u>
Less accumulated depreciation	1,088,740	824,215	594,604
Less allowance for loss	<u>2,060,191</u>	<u>1,507,641</u>	<u>2,212,171</u>
	<u>\$ 16,096,999</u>	<u>\$ 18,669,325</u>	<u>\$ 22,511,734</u>

## Notes to Financial Statements (continued...)

December 31, 2020, 2019, and 2018

**(7) Other Real Estate Owned (continued)**

OREO expense was \$547,507, \$666,313, and \$464,014 for the years that ended December 31, 2020, 2019, and 2018, respectively. These expenses consist of the holding costs of the OREOs including property tax, insurance, utilities, repairs, maintenance, and depreciation. In 2020, 2019, and 2018, losses of \$1,077,550, \$268,806, and \$1,568,215, respectively, were recorded to reduce the value of OREOs to their estimated market values or known market value upon sale. These write-downs are included in OREO expenses for the years that ended December 31, 2020, 2019, and 2018.

**(8) Investments**

The following tables set forth, by level, within the fair value hierarchy, the Ministry's assets at fair value:

	Assets at Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 9,700,626	\$ -	\$ -	\$ 9,700,626
US Government Securities	16,890,176	-	-	16,890,176
Corporate and State Bonds	-	918,839	-	918,839
Mutual Funds	23,194,710	-	-	23,194,710
Total Investments	49,785,512	918,839	-	50,704,351
Unitrust Assets (Restricted)	307,896	-	-	307,896
Total Investments and Unitrust Assets	\$ 50,093,409	\$ 918,839	\$ -	\$ 51,012,248

	Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 2,405,407	\$ -	\$ -	\$ 2,405,407
US Government Securities	15,247,943	-	-	15,247,943
Corporate and State Bonds	-	828,412	-	828,412
Mutual Funds	2,268,093	-	-	2,268,093
Total Investments	19,921,442	828,412	-	20,749,854
Unitrust Assets (Restricted)	72,626	-	-	72,626
Total Investments and Unitrust Assets	\$ 19,994,068	\$ 828,412	\$ -	\$ 20,822,480

Notes to Financial Statements *(continued...)*

December 31, 2020, 2019, and 2018

**(8) Investments (continued)**

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 2,185,048	\$ -	\$ -	\$ 2,185,048
US Government Securities	5,212,646	-	-	5,212,646
Corporate and State Bonds	-	1,305,837	-	1,305,837
Mutual Funds	1,494,449	-	-	1,494,449
Total Investments	8,892,143	1,305,837	-	10,197,980
Unitrust Assets (Restricted)	65,557	-	-	65,557
Total Investments and Unitrust Assets	\$ 8,957,700	\$ 1,305,837	\$ -	\$ 10,263,537

The Ministry is required to hold funds in a separate account to act as a reserve for its gift annuities. The total cash and investments held in these separate accounts was \$673,043 in 2020, \$562,965 in 2019, and \$522,720 in 2018. These amounts were in excess of the required minimums.

**(9) Bank Line of Credit**

The Ministry has entered into a short-term line of credit agreement with Umpqua Bank in the amount of \$12,000,000. The line bears a variable interest rate at the Wall Street Journal prime rate minus 0.50% with a floor of 3.75%. The interest rate on the line as of December 31, 2020, was 3.75%. The line is secured by certain Mortgage Notes Receivable totaling \$22.8 million. No amounts were drawn on the line as of December 31, 2020, 2019, and 2018. The line matures on June 28, 2022.

**(10) Paycheck Protection Program Loan**

On April 22, 2020, the Ministry received loan proceeds in the amount of \$593,500 under the Paycheck Protection Program (PPP). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020. The loan and accrued interest are forgivable if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with payments commencing on August 7, 2021. There are no prepayment penalties and the loan is unsecured.

The Ministry applied for loan forgiveness on December 17, 2020, and notification of forgiveness was received on January 8, 2021. As a result, the Ministry will reduce the loan liability and recognize other revenue of \$593,500 in 2021.

## Notes to Financial Statements (continued...)

December 31, 2020, 2019, and 2018

**(11) Notes Payable**

Notes payable consist of the following:

	December 31, 2020	December 31, 2019	December 31, 2018
<i>Vision Notes</i>			
Notes payable to various churches and individuals at variable and fixed interest rates ranging from 0.75% to 4.25%, unsecured	\$ 350,737,141	\$ 339,363,176	\$ 344,366,910
<i>Individual Retirement Account</i>			
Notes payable to various individual retirement accounts, fixed and variable interest rates ranging from 1.00% to 4.00% , unsecured	110,013,500	108,840,389	108,472,988
<i>Life Rewards</i>			
403(b) Funds invested in Vision Notes, variable interest rate at 3.3%, unsecured	49,979,201	50,413,659	51,965,274
	<u>\$ 510,729,842</u>	<u>\$ 498,617,224</u>	<u>\$ 504,805,172</u>

The average interest rates for the notes payable were 3.10% in 2020, 3.13% in 2019, and 3.13% in 2018. Purchasers of the notes may specify frequency of interest payments, or interest may be compounded and added monthly to the principal.

Maturities of notes payable for each of the next five years are as follows:

	Life Rewards 403(b)	IRA Notes	Vision Notes	Total
2021	\$ 49,979,201	\$ 23,878,774	\$ 112,764,104	\$ 186,622,080
2022	-	17,146,422	78,906,594	96,053,016
2023	-	20,709,375	52,613,770	73,323,145
2024	-	21,317,418	59,517,064	80,834,481
2025	-	26,961,511	46,935,609	73,897,119
	<u>\$ 49,979,201</u>	<u>\$ 110,013,500</u>	<u>\$ 350,737,141</u>	<u>\$ 510,729,842</u>



Notes to Financial Statements *(continued...)*

December 31, 2020, 2019, and 2018

**(11) Notes Payable (continued)**

Life Rewards is a 403(b) plan offered to Church Extension Plan employees as well as Assemblies of God pastors and ministry staff. The Life Rewards 403(b) Vision Note is an investment option offered to plan participants and is shown as a current maturity because the 403(b) participants have the option to change their investment allocation within the plan at any time. Over 82% of all funds in the Life Rewards 403(b) plan were invested in the Life Rewards 403(b) Vision Note as of December 31, 2020.

The maturities of the IRA notes are based on the length of the underlying note purchased with the IRA funds. At maturity and subject to certain legal restrictions and early withdrawal penalties, the investor has the option to have the proceeds from the note distributed to them or rolled to a different plan.

Upon maturity of the notes, note holders have the option to renew their notes at the current rates and terms offered by the Ministry or to take a distribution. In addition, at the Ministry's discretion, note holders may take early distributions on their notes payable subject to certain penalties. Distributions on the notes in relation to their maturities are as follows:

	<i>(in millions)</i>		
	2020	2019	2018
Total notes matured	\$ 216.0	\$ 233.5	\$ 224.0
Distribution on matured notes	36.7	53.8	46.8
Distribution on non-matured notes	23.7	14.2	25.5

The Ministry's notes payable is recorded at adjusted cost. The fair value of the notes payable is estimated based upon the Ministry's rates for similar instruments at year-end. The fair value of the Ministry's notes payable approximated its carrying value at December 31, 2020.

**(12) Certificates Payable**

Certificates payable consist of the following at December 31:

	2020	2019	2018
Unsecured future maturity value of certificate payable	\$ 45,499,950	\$ 56,101,950	\$ 64,232,100
Less certificate discount with rates ranging from 3.0% to 8.6%	(13,893,617)	(19,170,708)	(23,255,359)
Net certificate liability	<u>\$ 31,606,333</u>	<u>\$ 36,931,242</u>	<u>\$ 40,976,741</u>

Amortization expense of the certificate discount for the year that ended December 31, 2020, was \$2,478,157 (\$2,659,517 and \$2,948,568, in 2019 and 2018, respectively). These amounts are included with interest expense on the Statements of Activities.

Notes to Financial Statements *(continued...)*

December 31, 2020, 2019, and 2018

**(12) Certificates Payable *(continued)***

Maturities of certificates payable for each of the next five years are as follows:

2021	\$ 3,431,550
2022	5,476,500
2023	3,264,000
2024	3,960,000
2025	4,329,000
Thereafter	<u>25,038,900</u>
	<u>\$ 45,499,950</u>

As described in Note 1, the certificate program was discontinued effective January 1, 2021.

**(13) Gift Annuities and Unitrust Agreements**

The Ministry carries ten gift annuities. The aggregate initial deposits of these annuities was \$600,000. The interest rates on the payouts range from 4.2% - 10.3% with an annual aggregate payment of \$47,165. The Ministry is in compliance with the reserving requirements of ORS 731.716 in connection with these annuities. The Gift Annuities Liability was \$472,565 as of December 31, 2020, \$460,536 as of December 31, 2019, and \$428,072 as of December 31, 2018.

At December 31, 2020, the Ministry acted as the trustee for two Charitable Remainder Unitrusts. The initial deposits of these Unitrusts were \$326,000 and the interest rate on the payouts were 5.0% - 6.5% (limited to income earned) with an annual aggregate payment amount of \$11,531 in 2020. The Unitrust Obligation Liability was \$171,654 as of December 31, 2020, \$26,146 as of December 31, 2019, and \$28,760 as of December 31, 2018.

## Notes to Financial Statements (continued...)

December 31, 2020, 2019, and 2018

**(14) Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributed to program and supporting services. The table below presents expenses by both their nature and their function.

	December 31, 2020			
	Program	Supporting Services		Total
		and General	Fundraising	
Interest Expense	\$ 17,874,955	\$ -	\$ -	\$ 17,874,955
Uncollectible Receivables Expense	559,000	-	-	559,000
Operating Expenses:				
Salaries	1,763,091	1,091,957	255,373	3,110,421
Payroll taxes and personnel expenses	760,850	478,329	109,272	1,348,451
Occupancy expense and supplies	338,351	541,749	42,899	922,999
Professional fees	334,663	401,052	194,425	930,140
Travel, lodging, and related expenses	84,435	35,619	44,638	164,692
Advertising and promotion	149,701	1,384	15,840	166,925
OREO expenses	1,625,057	-	-	1,625,057
Director's expenses	-	42,981	-	42,981
Insurance, licenses, taxes, and other	114,774	132,163	5,358	252,295
Total operating expenses	<u>5,170,922</u>	<u>2,725,234</u>	<u>667,805</u>	<u>8,563,961</u>
Total expenses	<u>\$ 23,604,877</u>	<u>\$ 2,725,234</u>	<u>\$ 667,805</u>	<u>\$ 26,997,916</u>

## Notes to Financial Statements (continued...)

December 31, 2020, 2019, and 2018

## (14) Functional Allocation of Expenses (continued)

	December 31, 2019			
	Program	Supporting Services		Total
		and General	Fundraising	
Interest Expense	\$ 18,547,853	\$ -	\$ -	\$ 18,547,853
Uncollectible Receivables Expense	341,111	-	-	341,111
Operating Expenses				
Salaries	1,727,134	1,145,265	250,604	3,123,003
Payroll taxes and personnel expenses	827,929	520,500	118,907	1,467,336
Occupancy expense and supplies	387,143	494,922	47,918	929,983
Professional fees	394,182	316,353	198,041	908,576
Travel, lodging, and related expenses	274,462	102,520	75,981	452,963
Advertising and promotion	647,733	-	10,221	657,954
OREO expenses	935,119	-	-	935,119
Director's expenses	-	72,384	-	72,384
Insurance, licenses, taxes, and other	133,669	115,500	5,323	254,492
Total operating expenses	<u>5,327,371</u>	<u>2,767,444</u>	<u>706,995</u>	<u>8,801,810</u>
Total expenses	<u>\$ 24,216,335</u>	<u>\$ 2,767,444</u>	<u>\$ 706,995</u>	<u>\$ 27,690,774</u>

Notes to Financial Statements *(continued...)*

December 31, 2020, 2019, and 2018

**(14) Functional Allocation of Expenses (continued)**

	December 31, 2018			
	Program	Supporting Services		Total
		Management and General	Fundraising	
Interest Expense	\$ 18,366,850	\$ -	\$ -	\$ 18,366,850
Uncollectible Receivables Expense	228,554	-	-	228,554
Operating Expenses:				
Salaries	1,811,875	1,170,738	264,421	3,247,034
Payroll taxes and personnel expenses	854,395	537,139	122,707	1,514,241
Occupancy expense and supplies	381,468	484,206	49,529	915,203
Professional fees	354,949	422,563	109,611	887,123
Travel, lodging, and related expenses	349,657	104,995	109,683	564,335
Advertising and promotion	608,652	10,463	22,616	641,731
OREO expenses	2,032,229	-	-	2,032,229
Director's expenses	-	92,377	-	92,377
Insurance, licenses, taxes, and other	611,767	101,241	5,045	718,053
Total operating expenses	<u>7,004,992</u>	<u>2,923,722</u>	<u>683,612</u>	<u>10,612,326</u>
Total expenses	<u>\$ 25,600,396</u>	<u>\$ 2,923,722</u>	<u>\$ 683,612</u>	<u>\$ 29,207,730</u>

Wherever possible, expenses are allocated directly to program or supporting services. However, certain categories of expenses are allocated based on estimates of time and effort or square footage. Salaries, payroll taxes and personnel expense, travel related expenses, and advertising and promotion are allocated based on estimates of time and effort. Insurance, licenses, taxes and other expenses are allocated based on square footage. Building related occupancy expenses are allocated based on square footage, while all other allocated occupancy expenses are based on time and effort.

Notes to Financial Statements *(continued...)*

December 31, 2020, 2019, and 2018

**(15) Liquidity and Availability**

Financial assets available for general expenditures within one year of December 31, 2020, consist of the following:

	2020	2019	2018
Cash and cash equivalents	\$ 14,615,471	\$ 18,238,312	\$ 26,007,204
Investments	51,012,248	20,822,480	10,263,537
Mortgage notes principal due in one year	11,980,195	11,748,568	11,514,247
Interest receivable	4,104,243	4,003,382	3,932,283
Total financial assets	81,712,157	54,812,742	51,717,271
Less amounts not available to use within one year			
Unitrust investments	(307,896)	(72,626)	(65,557)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 81,404,261</u>	<u>\$ 54,740,116</u>	<u>\$ 51,651,714</u>

As part of the Ministry's liquidity management, it has a policy to ensure its financial assets are available for general expenditures, liabilities, and other obligations. Cash in excess of these daily requirements is invested in short-term investments and money market funds (see Note 8). To help manage unanticipated liquidity needs, the Ministry has a committed line of credit in the amount of \$12,000,000 which it can draw upon. The use of the line of credit is generally restricted to program related obligations (see Note 9).

**(16) Pension Plan**

The Ministry offers a tax-deferred defined contribution plan through Life Rewards for all eligible employees. The Ministry makes a contribution of the first 3% of the eligible employee's salary. If an employee elects to defer a portion of their compensation, the Ministry may match up to an additional 3% of compensation at its discretion. The contributions to the plan were \$162,695 in 2020, \$165,228 in 2019, and \$162,405 in 2018.

**(17) Employee Medical Benefit Plan**

The Ministry maintains a self-insured medical plan covering substantially all full-time active employees and their families. The Ministry limits their losses through the use of stop-loss insurance policies. Specific individual losses are limited to \$50,000 per occurrence with a \$1,119,900 combined limit for 2020. The liability recorded for incurred but not reported claims was \$120,000 at December 31, 2020, 2019, and 2018.

Notes to Financial Statements *(continued...)*

December 31, 2020, 2019, and 2018

**(18) Distributions to Member Districts**

Distributions are made to member districts from time to time as determined by the Board of Directors. No distributions were authorized in 2020, 2019, and 2018.

**(19) Noncash Activity**

The Ministry had noncash transactions that resulted in the following changes in financial statements for the years ended December 31:

	2020	2019	2018
Deeds in lieu of foreclosure	\$ -	\$ 1,153,460	\$ 445,000
OREO's transferred to mortgage	\$ -	\$ 1,564,500	\$ 1,024,900

**(20) Related Party**

Life Rewards, a 403(b)(9) retirement income account plan (the Plan), is affiliated through common management of the Ministry. Life Rewards was created by the Ministry for the benefit of eligible Assemblies of God ministries. The Plan also covers all employees of the Ministry. Certain administrative functions are performed by officers and employees of the Ministry. No such officer or employee receives compensation from the Plan.

Until September, 2019, the president of the Ministry served as a board member to Teen Challenge of Puerto Rico. Teen Challenge of Puerto Rico has mortgage notes with the Ministry and other real estate owned. The balances due on these notes were approximately \$11.0 million as of December 31, 2020, \$11.0 as of December 31, 2019, and \$11.1 as of December 31, 2018. As of December 31, 2020 and 2019, these notes were on non-accrual status. No interest income was recognized in 2020, total interest earnings recognized in 2019 was \$705,533, and in 2018 was \$536,785. The carrying value of the other real estate owned related to Teen Challenge of Puerto Rico was \$6,007,000 as of December 31, 2020, and \$6,900,000 in 2019, and 2018. No income has been recognized in 2020, 2019, or 2018 related to these assets.

**(21) Litigation**

The Ministry is subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to currently pending or threatened actions is not expected to materially affect the financial position or results of operations of the Ministry.

**(22) NASAA Statement of Policy Guidelines**

The North American Securities Administrators Association, Inc. (NASAA) sets benchmarks for church extension funds (CEF). Adherence to the benchmarks varies from state to state, and can be subject to policy, administrative rule or order, or the discretion of individual state securities examiners.

## Notes to Financial Statements *(continued...)*

December 31, 2020, 2019, and 2018

**(22) *NASAA Statement of Policy Guidelines (continued)***

The Ministry did not meet the NASAA net asset benchmark as of December 31, 2020, 2019, and 2018. The Ministry's net assets were 2.04% of its total assets at December 31, 2020, (1.96% and 1.76% in 2019 and 2018, respectively), and the benchmark calls for CEF's net assets to be positive and equal to 5% or more of its total assets.

**(23) *Contingency***

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan China. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. COVID-19 has caused business disruption in the United States through mandated and voluntary closings of businesses and shelter in place orders.

COVID-19 related circumstances, such as shelter in place orders and remote work arrangements, did not adversely affect the Ministry's ability to maintain continuity in its internal operations and controls in 2020.

The Ministry anticipated the possible financial impact that COVID-19 could have on its borrowers (Churches) and offered payment concessions to provide them immediate relief. The concessions were offered to 684 Churches with 126 choosing to participate during the year. At December 31, 2020, only 31 loans remained three or more months delinquent. The Ministry estimates short-term payment delays with most of the delinquent loans.

There is considerable uncertainty around the duration of the pandemic, the impact of the CARES Act and other governmental initiatives. It is reasonably possible that this matter will negatively impact the Ministry's financial condition. However, future financial impact and duration will depend on future developments and cannot be reasonably estimated at this time.