



**Home Mission Council of the Eastern  
Regional Conference of the Churches of  
God, General Conference**

**Financial Statements**

December 31, 2021, 2020, 2019, 2018, and 2017



**Home Mission Council of the Eastern Regional Conference of the  
Churches of God, General Conference**

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## Independent Auditor's Report

To the Board of Trustees  
Home Mission Council of the Eastern Regional  
Conference of the Churches of God,  
General Conference  
Harrisburg, Pennsylvania

### Opinion

We have audited the financial statements of Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference (the Home Mission Council), which comprise the statement of financial position as of December 31, 2021, 2020, 2019, 2018, and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Home Mission Council as of December 31, 2021, 2020, 2019, 2018, and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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



## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

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

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

RKL LLP

June 6, 2022

Mechanicsburg, Pennsylvania

**Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference**

Statement of Financial Position

	2021	2020	December 31, 2019	2018	2017
<b>Assets</b>					
Cash and cash equivalents	\$ 798,163	\$ 770,030	\$ 1,027,355	\$ 909,147	\$ 803,841
Investments	1,573,838	1,926,115	1,235,324	929,487	966,407
Mortgages and notes receivable	5,390,963	5,549,979	5,380,826	5,672,191	5,656,262
Accrued interest receivable	94,838	49,919	16,116	45,102	6,672
Prepaid expenses	504	-	-	-	-
<b>Total Assets</b>	<b>\$ 7,858,306</b>	<b>\$ 8,296,043</b>	<b>\$ 7,659,621</b>	<b>\$ 7,555,927</b>	<b>\$ 7,433,182</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Certificates of investment	\$ 6,452,856	\$ 6,909,679	\$ 6,390,607	\$ 6,467,731	\$ 6,388,561
Accrued expenses	943	1,130	880	1,149	-
Accounts payable	1,587	1,671	1,536	1,412	-
Accrued interest payable	10,877	16,740	19,719	19,267	17,020
Annuities payable	677	680	682	682	687
<b>Total Liabilities</b>	<b>6,466,940</b>	<b>6,929,900</b>	<b>6,413,424</b>	<b>6,490,241</b>	<b>6,406,268</b>
<b>Net Assets</b>					
Without donor restrictions	1,391,366	1,366,143	1,246,197	1,065,686	1,026,914
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,858,306</b>	<b>\$ 8,296,043</b>	<b>\$ 7,659,621</b>	<b>\$ 7,555,927</b>	<b>\$ 7,433,182</b>

**Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference**

Statement of Activities

	Years Ended December 31,				
	2021	2020	2019	2018	2017
<b>Revenues and Gains</b>					
Interest on mortgages and notes receivable	\$ 270,007	\$ 271,049	\$ 265,750	\$ 286,764	\$ 264,954
Investment income	50,621	154,613	50,239	49,756	36,614
Change in actuarial value of annuity	2	2	-	5	20
Other revenue	23	-	4,231	-	-
<b>Total Revenues and Gains</b>	<b>320,653</b>	425,664	320,220	336,525	301,588
<b>Operating Expenses</b>					
Interest expense	192,352	199,271	180,434	169,001	161,461
Registration expenses	2,000	2,000	1,750	1,750	1,750
Administrative and other expenses	46,191	52,578	44,640	67,776	76,463
<b>Total Operating Expenses</b>	<b>240,543</b>	253,849	226,824	238,527	239,674
<b>Gain from Operations</b>	<b>80,110</b>	171,815	93,396	97,998	61,914
<b>Other Nonoperating Gain (Loss)</b>					
Unrealized gain (loss) on other than trading securities	(54,887)	(51,869)	87,115	(59,226)	32,743
<b>Change in Net Assets without Donor Restrictions</b>	<b>25,223</b>	119,946	180,511	38,772	94,657
<b>Net Assets at Beginning of Year</b>	<b>1,366,143</b>	1,246,197	1,065,686	1,026,914	932,257
<b>Net Assets at End of Year</b>	<b>\$ 1,391,366</b>	\$ 1,366,143	\$ 1,246,197	\$ 1,065,686	\$ 1,026,914

See accompanying notes.

**Home Mission Council of the Eastern Regional Conference of the  
Churches of God, General Conference**

Statement of Functional Expenses

Year Ended December 31, 2021 with Comparative Totals for 2020, 2019, 2018, and 2017

	Program Services	Supporting Service	Totals				
		General and Administrative	2021	2020	2019	2018	2017
Legal and professional	\$ -	\$ 32,608	\$ 32,608	\$ 33,700	\$ 34,315	\$ 39,686	\$ 36,257
Occupancy	-	66	66	208	72	96	280
Information technology	-	296	296	5,550	21	314	800
Registration expenses	-	2,000	2,000	2,000	1,750	1,750	1,750
Interest	192,352	-	192,352	199,271	180,434	169,001	161,461
Insurance	-	-	-	-	-	-	264
Trustee fees	12,714	-	12,714	12,541	9,704	27,346	37,035
Other	348	159	507	579	528	334	1,827
<b>Total Operating Expenses</b>	<b>\$ 205,414</b>	<b>\$ 35,129</b>	<b>\$ 240,543</b>	<b>\$ 253,849</b>	<b>\$ 226,824</b>	<b>\$ 238,527</b>	<b>\$ 239,674</b>
<b>2020 Totals</b>	<b>\$ 212,141</b>	<b>\$ 41,708</b>	<b>\$ 253,849</b>				
<b>2019 Totals</b>	<b>\$ 190,447</b>	<b>\$ 36,377</b>	<b>\$ 226,824</b>				
<b>2018 Totals</b>	<b>\$ 196,610</b>	<b>\$ 41,917</b>	<b>\$ 238,527</b>				
<b>2017 Totals</b>	<b>\$ 200,323</b>	<b>\$ 39,351</b>	<b>\$ 239,674</b>				

**Home Mission Council of the Eastern Regional Conference of the  
Churches of God, General Conference**

Statement of Cash Flows

	Years Ended December 31,				
	2021	2020	2019	2018	2017
<b>Cash Flows from Operating Activities</b>					
Change in net assets	\$ 25,223	\$ 119,946	\$ 180,511	\$ 38,772	\$ 94,657
Adjustments to reconcile change in net assets to net cash provided by operating activities					
Unrealized (gain) loss on investments	54,887	51,869	(87,115)	59,226	(32,743)
(Increase) decrease in assets					
Accrued interest receivable	(44,919)	(33,803)	28,986	(38,430)	7,850
Prepaid expenses	(504)	-	-	-	-
Increase (decrease) in liabilities					
Accrued interest payable	(5,863)	(2,979)	452	2,247	911
Accounts payable	(84)	135	124	1,412	-
Accrued expenses	(187)	250	(269)	1,149	-
Annuities payable	(3)	(2)	-	(5)	(20)
<b>Net Cash Provided by Operating Activities</b>	<b>28,550</b>	135,416	122,689	64,371	70,655
<b>Cash Flows from Investing Activities</b>					
Net (purchases) sales of investments	297,390	(742,660)	(218,722)	(22,307)	(46,429)
Issuance of mortgages and notes receivable	(169,000)	(430,983)	(102,065)	(382,000)	(109,245)
Proceeds from collections of mortgages and notes receivable	328,016	261,830	393,430	366,071	276,765
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>456,406</b>	(911,813)	72,643	(38,236)	121,091
<b>Cash Flows from Financing Activities</b>					
Redemptions of certificates of investment	(484,288)	(252,465)	(579,448)	(296,448)	(207,093)
Proceeds from issuance of new certificates of investment	45,925	724,778	456,466	275,387	272,788
Increase (decrease) in accumulated interest on certificates of investment	(18,460)	46,759	45,858	100,232	96,795
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(456,823)</b>	519,072	(77,124)	79,171	162,490

See accompanying notes.



**Home Mission Council of the Eastern Regional Conference of the  
Churches of God, General Conference**

Statement of Cash Flows (continued)

	Years Ended December 31,				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 28,133</b>	<b>\$ (257,325)</b>	<b>\$ 118,208</b>	<b>\$ 105,306</b>	<b>\$ 354,236</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b><u>770,030</u></b>	<b><u>1,027,355</u></b>	<b><u>909,147</u></b>	<b><u>803,841</u></b>	<b><u>449,605</u></b>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u><u>\$ 798,163</u></u></b>	<b><u><u>\$ 770,030</u></u></b>	<b><u><u>\$ 1,027,355</u></u></b>	<b><u><u>\$ 909,147</u></u></b>	<b><u><u>\$ 803,841</u></u></b>

# Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference

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## Notes to Financial Statements

December 31, 2021, 2020, 2019, 2018, and 2017

### **Note 1 - Nature of Business**

The Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference (the Home Mission Council) is a Pennsylvania nonprofit corporation. The basic purpose of the Home Mission Council is to assist the Eastern Regional Conference of the Churches of God, General Conference in missionary and evangelistic work by loaning funds to existing church congregations and new mission groups for the acquisition, construction, and improvement of churches and church related activities.

### **Note 2 - Summary of Significant Accounting Policies**

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

#### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Basis of Presentation**

The Home Mission Council follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) *Topic 958, Not-for-Profit Entities - Presentation of Financial Statements*. Under ASC *Topic 958*, the Home Mission Council is required to report information regarding its financial position and activities according to two classes of assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions - Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Home Mission Council had no net assets with donor restrictions at December 31, 2021, 2020, 2019, 2018, and 2017.

#### **Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires 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.

# Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference

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## Notes to Financial Statements

December 31, 2021, 2020, 2019, 2018, and 2017

### Note 2 - Summary of Significant Accounting Policies (continued)

#### Mortgages and Notes Receivable

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding. The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, which is adjusted monthly based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay. Accrual of interest is discontinued on a loan when management believes, after considering economics, business conditions, and collection efforts that the borrowers' financial condition is such that collection of interest is doubtful. There was no allowance for loan losses at December 31, 2021, 2020, 2019, 2018, and 2017.

#### Investments

The Home Mission Council follows FASB ASC 958-320-05, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, in accounting for its investments. Under FASB ASC 958-320-05, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investments are maintained at a local bank, which acts as a trustee for the Home Mission Council. See further information at Notes 4 and 13.

#### Revenue Recognition

The sources of revenue for the Home Mission Council are interest income from mortgages and notes receivables and investments. Revenue is recognized as earned based on contractual terms, or as transactions occur. The following is further detail of the various types of revenue the Home Mission Council earns and when it is recognized:

**Interest Income** - Interest income is recognized on an accrual basis according to mortgage and note agreements, or other such written contracts.

#### Functional Allocation of Expenses

The cost of providing the various programs and other activities are summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited using reasonable and applicable basis that may include estimated usage.

# Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference

## Notes to Financial Statements

December 31, 2021, 2020, 2019, 2018, and 2017

### Note 3 - Liquidity and Availability

The Home Mission Council manages its liquidity by managing its working capital.

Financial assets available for general expenditure at December 31, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 798,163	\$ 770,030	\$ 1,027,355	\$ 909,147	\$ 803,841
Investments	1,573,838	1,926,115	1,235,324	929,487	966,407
Mortgages and notes receivables, current portion	341,293	343,585	278,307	260,832	829,783
Accrued interest receivable	94,838	49,919	16,116	45,102	6,672
	<u>\$ 2,808,132</u>	<u>\$ 3,089,649</u>	<u>\$ 2,557,102</u>	<u>\$ 2,144,568</u>	<u>\$ 2,606,703</u>

Home Mission Council maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Home Mission Council manages its cash available to meet general expenditures following these guiding principles:

- Operating with a prudent range of financial soundness and stability; and
- Sustaining adequate liquid assets, including cash and cash equivalents.

### Note 4 - Investments

Prior to being utilized for loans, the proceeds available for that purpose are required to be invested by the Home Mission Council. The proceeds are invested with a local bank. There are no formal guidelines or restrictions on investment of the Home Mission Council's funds that are not committed to its church lending activities, except for the reserve requirement in Note 6. In accordance with policies of the Board of Trustees, such investments are allocated between mutual funds, corporate bonds and notes, and certificates of deposit.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Gains and losses on the sale of securities are recognized when sold. Interest and dividends are recognized as income when received.

### Note 5 - Mortgages and Notes Receivable

Mortgages and notes receivable issued after October 2004 bear initial interest at the greater of 2.00% less than the prime rate or 7.00%, determined as of each May 1 and November 1. Beginning July 2013, mortgages and notes bearing an interest rate of 6.00% or greater, were reduced to 5.75%.

Mortgages and notes receivable issued between April 2003 and October 2004 bore interest at the greater of 2.00% less than the prime rate or 5.50%, determined as of each May 1 and November 1.

# Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference

## Notes to Financial Statements

December 31, 2021, 2020, 2019, 2018, and 2017

### Note 5 - Mortgages and Notes Receivable (continued)

Mortgages and notes receivable consist of the following:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Martinsburg Church of God, a \$330,000, mortgage receivable due monthly in the amount of \$1,512, through February 2030. The interest rate at December 31, 2021 is 4.25%	\$ 194,432	\$ 209,951	\$ 221,509	\$ 233,426	\$ 244,427
Friendship Community Church of God, a \$770,000, 5.50% mortgage receivable, due monthly in the amount of \$3,646, through December 2033	304,477	342,342	372,360	394,950	418,063
Caring Community Church of God, a \$626,000, 5.50% mortgage receivable, due monthly in the amount of \$4,306, through June 2024	24,131	72,956	119,176	159,404	202,640
Woodbury Church of God, a \$88,727, 5.75% mortgage receivable, due monthly in the amount of \$308, through January 2030. This loan was paid in full during 2019	-	-	-	63,940	63,963
Churchtown Church of God a \$32,000 note, due monthly in the amount of \$343, payment will be made in full on or before March 2028. The interest rate is 5.25% per annum for the first five years (through April 2023), after which the interest rate will be negotiated. If an agreed rate cannot be determined, the new interest rate will be the prime rate plus 2.00%	-	-	1,878	22,057	-
Real Life Church of God, a \$42,800, 5.75% mortgage receivable, due monthly in the amount of \$385, through December 2024, with a balloon payment and review every five years. This loan was paid in full during 2018	-	-	-	-	23,467
Mount Pleasant Church of God, a \$60,000 mortgage, due monthly in the amount of \$648, through October 2023, with an interest rate of 5.50%. The balance of this loan was consolidated with the loan below during 2021	-	19,436	25,949	32,116	37,950

**Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference**

Notes to Financial Statements

December 31, 2021, 2020, 2019, 2018, and 2017

**Note 5 - Mortgages and Notes Receivable (continued)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Mount Pleasant Church of God, a \$35,000 construction loan, all principal and interest payments were to be payable on or before November 2021, with an interest rate of 5.00%. The balance of this loan was consolidated with the loan below during 2021	\$ -	\$ 21,000	\$ -	\$ -	\$ -
Mount Pleasant Church of God, a \$52,640 note consolidation of the construction and mortgage loans, due monthly in the amount of \$571, all principal and interest payments shall be payable on or before March 2026, with an interest rate of 5.50%	<b>27,802</b>	-	-	-	-
Mount Holly Springs Church of God, a \$325,000 mortgage, due monthly in the amount of \$1,900, through January 2037	-	-	41,456	91,818	137,869
Real Life Church of God, a \$350,000 mortgage, due monthly in the amount of \$2,310, through July 2038 or until the full amount is paid. The interest rate is 5.00% per annum for the first three years (through August 2021), after which the interest rate is negotiated. If an agreed rate cannot be determined, the new interest rate will be the prime rate plus 2.00% with a floor of 5.00%. As of December 31, 2021, the interest rate is 5.00%	<b>317,938</b>	329,491	337,750	349,148	-
Scotland Campus, Inc., a \$1,250,000 mortgage, with a maturity date of May 2034. The interest rate is subject to change each June, beginning in 2014, at the prime rate plus 2.00%. At December 31, 2021, the interest rate is 4.50% and interest only payments are due monthly	<b>1,243,217</b>	1,243,217	1,243,217	1,243,217	1,244,000

**Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference**

Notes to Financial Statements

December 31, 2021, 2020, 2019, 2018, and 2017

**Note 5 - Mortgages and Notes Receivable (continued)**

	2021	2020	2019	2018	2017
<p>Scotland Campus, Inc., a mortgage receivable based on 85% of the value of Home Mission Council Certificates of Investment designated for Scotland Campus, Inc. by the purchaser of the certificate, not to exceed \$2,000,000. Principal payments will be due on demand when a holder of a Certificate of Investment redeems the certificate. The mortgage is due no later than July 2038. Interest payments are due monthly at a variable interest rate and are determined by calculating the average interest paid on the Certificates of Investment, plus 2.00%. Interest will be calculated quarterly each year. As of December 31, 2021, the interest rate is 5.15%</p>	\$ 1,358,006	\$ 1,358,006	\$ 1,370,034	\$ 1,394,549	\$ 1,394,549
<p>Parkway Community Church, a \$110,000 mortgage, monthly interest only payments are due through March 2020. Monthly principal and interest payments of \$772 began in April 2020, through February 2039 or until the full amount is paid. The interest rate is 5.75% per annum for the first five years (through June 2024), after which the interest rate will be negotiated. If an agreed rate cannot be determined, the new interest rate will be the prime rate plus 2.00% with a floor of 5.75%</p>	87,779	100,403	102,065	-	-
<p>McClures Gap Church of God, a \$250,000 mortgage, monthly interest only payments of \$128 were due until September 2015, when monthly principal and interest payments of \$1,570 began, through August 2034. The interest rate is 4.75% per annum for the first five years (through September 2020), after which the interest rate is negotiated. If an agreed rate cannot be determined, the new interest rate will be the prime rate plus 2.00% and amortized over a twenty year period. As of December 31, 2021, the interest rate is 4.75%</p>	94,077	109,223	122,954	140,246	214,032

**Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference**

Notes to Financial Statements

December 31, 2021, 2020, 2019, 2018, and 2017

**Note 5 - Mortgages and Notes Receivable (continued)**

	2021	2020	2019	2018	2017
Logos Christian Fellowship, a \$85,000 mortgage, monthly interest only payments of \$242 were due until August 2015, when monthly principal and interest payments of \$554 began, through August 2035. The interest rate is 5.50% per annum for the first five years (through August 2020), after which the interest rate is negotiated. If an agreed rate cannot be determined, the new interest rate will be the prime rate plus 2.00% and amortized over a twenty year period. As of December 31, 2021, the interest rate is 4.75%	\$ 30,132	\$ 35,582	\$ 47,865	\$ 62,916	\$ 69,143
Westminster 1st Church of God, a \$65,000 mortgage, due monthly in the amount of \$383, through January 2034. The interest rate is 5.75% per annum for the first three years (through January 2017), after which the interest rate is negotiated. If an agreed rate cannot be determined, the new interest rate will be the prime rate plus 2.00% and amortized over a twenty year period. As of December 31, 2021, the interest rate is 5.25%	34,631	37,332	39,895	42,520	44,811
Scotland Campus, Inc., a \$350,000 mortgage, with a maturity date of December 2024. Monthly interest only payments are due at 4.50%	336,070	336,070	336,070	336,069	336,070
Exponential Church TV, a \$175,417 mortgage, due monthly in the amount \$1,471, through June 2032. The interest rate is 5.75% per annum	139,015	149,103	159,292	167,210	175,417
Exponential Church TV, a \$150,000 mortgage, due monthly in the amount of \$1,032, through November 2035. The interest rate is 5.50% per annum	120,342	125,780	131,335	135,767	140,524



**Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference**

Notes to Financial Statements

December 31, 2021, 2020, 2019, 2018, and 2017

**Note 5 - Mortgages and Notes Receivable (continued)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Fairmount Community Church, a \$80,000 mortgage, monthly interest only payments were due for the first full year. Monthly interest and principal payments of \$849 began September 2017 until August 2027. The interest rate is 5.50% per annum for the first five years (through August 2022), after which the interest rate will be negotiated. If an agreed rate cannot be determined, the new interest rate will be the prime rate plus 2.00%. At no time will the interest rate be less than 5.50%	\$ 49,691	\$ 57,526	\$ 64,396	\$ 70,860	\$ 77,567
The Bridge of Hope Church, a \$250,000 mortgage, due monthly in the amount of \$1,685 until March 2040. The interest rate is 5.25% per annum for the first five years (through April 2025), after which the interest rate will be negotiated. If an agreed rate cannot be determined, the new interest rate will be the prime rate plus 2.00% with a floor of 5.25%	238,320	245,809	-	-	-
Mayberry First Church of God, a \$10,800 mortgage, due monthly in the amount of \$178 until August 2026. The interest rate is 5.75%	7,253	9,891	-	-	-
The Bridge of Hope Church, a \$125,000 construction loan, due monthly in the amount of \$825 starting February 2022 until January 2042. The interest rate is 5.00% per annum for the first five years (through June 2025), after which the interest rate will be negotiated. If an agreed rate cannot be determined, the new interest rate will be the prime rate plus 2.00%	94,183	94,183	-	-	-

**Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference**

Notes to Financial Statements

December 31, 2021, 2020, 2019, 2018, and 2017

**Note 5 - Mortgages and Notes Receivable (continued)**

	2021	2020	2019	2018	2017
New Baltimore First Church of God, a \$55,000 mortgage, due monthly in the amount of \$442 until October 2040. The interest rate is 5.25% per annum for the first five years (through September 2025), after which the interest rate will be negotiated. If an agreed rate cannot be determined, the new interest rate will be the prime rate plus 2.00% with a floor of 5.25%	\$ 19,487	\$ 50,613	\$ -	\$ -	\$ -
Real Life Church of God, a \$50,000 mortgage due monthly in the amount of \$337, through August 2042 or until the full amount is paid. The interest rate is 5.25% per annum for five years (through July 2026), after which the interest rate will be negotiated. If an agreed rate cannot be determined, the new interest rate will be the prime rate plus 2.00% with a floor of 5.25%	49,644	-	-	-	-
Elizabethtown First Church of God, a \$50,000 mortgage, due monthly in the amount of \$530 until April 2036. The interest rate is 5.25% per annum for the first five years (through June 2026), after the initial first rate expires, the payment amount may be adjusted to reflect changes in the interest rate, if any	48,397	-	-	-	-
Fourth Street Altoona First Church of God, a \$55,000 mortgage, due monthly in the amount of \$457 until June 2036. The interest rate is 5.75% per annum for the first five years (through March 2026), after which the interest rate will be negotiated. If an agreed rate cannot be determined, the new interest rate will be the prime rate plus 2.00%	37,041	-	-	-	-
Brownsville Church of God, a \$877,504 mortgage receivable, due monthly in the amount of \$5,389, through April 2039. The interest rate is negotiated. If an agreed rate cannot be determined, the new interest rate will be the prime rate plus 2.00% and amortized over a twenty-five year period. The interest rate is 3.75% at December 31, 2021	450,111	512,060	550,718	635,416	731,770

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Notes to Financial Statements

December 31, 2021, 2020, 2019, 2018, and 2017

**Note 5 - Mortgages and Notes Receivable (continued)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Iglesia Sanidad Divina Church, a \$100,000 mortgage, due monthly in the amount of \$600 until December 2037. The interest rate is 5.00% per annum for the first five years (through December 2022), after which the interest rate will be negotiated. If an agreed rate cannot be determined, the new interest rate will be the prime rate plus 2.00%	\$ 84,787	\$ 90,005	\$ 92,907	\$ 96,562	\$ 100,000
<b>Total Mortgages and Notes Receivables</b>	<b>\$ 5,390,963</b>	<b>\$ 5,549,979</b>	<b>\$ 5,380,826</b>	<b>\$ 5,672,191</b>	<b>\$ 5,656,262</b>

**Note 6 - Certificates of Investment**

Certificates of investment outstanding, including accrued interest payable, mature as scheduled below at December 31, 2021:

<u>Year of Maturity</u>	<u>Principal</u>	<u>Compounded Interest</u>	<u>Total</u>
2022	\$ 1,801,113	\$ 364,848	\$ 2,165,961
2023	1,067,661	297,147	1,364,808
2024	959,851	124,757	1,084,608
2025	1,144,267	152,362	1,296,629
2026	429,472	122,255	551,727
	<b>\$ 5,402,364</b>	<b>\$ 1,061,369</b>	<b>\$ 6,463,733</b>

Original certificates are paid interest at the rate of interest stated on the face of the certificate, which is determined by the rate in effect at issue date.

Interest rates are adjusted on the interest payment dates of May 1 and November 1 as changes occur in the prime interest rate. Certificate rates are also subject to minimum rates. Certificates that mature and are renewed bear interest based on the interest rate in effect at the date of renewal. This interest rate will remain in effect throughout the duration of the renewal period.

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Notes to Financial Statements

December 31, 2021, 2020, 2019, 2018, and 2017

**Note 6 - Certificates of Investment (continued)**

The interest rates and minimum rates in effect during 2021 for each denomination of certificate are as follows:

<b>Type of Certificate</b>	<b>Interest Rate</b>	<b>May 1</b>	<b>November 1</b>	<b>Minimum Rate</b>
1 year	Prime less 3.50%	1.00 %	1.00 %	1.00 %
2 years	Prime less 3.25%	1.25 %	1.25 %	1.25 %
3 years	Prime less 3.00%	1.50 %	1.50 %	1.50 %
4 years	Prime less 2.50%	2.00 %	2.00 %	2.00 %
5 years	Prime less 2.25%	2.25 %	2.25 %	2.25 %

The interest rates and minimum rates in effect during 2020 for each denomination of certificate are as follows:

<b>Type of Certificate</b>	<b>Interest Rate</b>	<b>May 1</b>	<b>November 1</b>	<b>Minimum Rate</b>
1 year	Prime less 3.50%	2.25 %	1.00 %	1.00 %
2 years	Prime less 3.25%	2.50 %	1.25 %	1.25 %
3 years	Prime less 3.00%	2.75 %	1.50 %	1.50 %
4 years	Prime less 2.50%	3.25 %	2.00 %	2.00 %
5 years	Prime less 2.25%	3.50 %	2.25 %	2.25 %

The interest rates and minimum rates in effect during 2019 for each denomination of certificate are as follows:

<b>Type of Certificate</b>	<b>Interest Rate</b>	<b>May 1</b>	<b>November 1</b>	<b>Minimum Rate</b>
1 year	Prime less 3.50%	2.25 %	2.25 %	2.25 %
2 years	Prime less 3.25%	2.50 %	2.50 %	2.50 %
3 years	Prime less 3.00%	2.75 %	2.75 %	2.75 %
4 years	Prime less 2.50%	3.25 %	3.25 %	3.25 %
5 years	Prime less 2.25%	3.50 %	3.50 %	3.50 %

The interest rates and minimum rates in effect during 2018 for each denomination of certificate are as follows:

<b>Type of Certificate</b>	<b>Interest Rate</b>	<b>May 1</b>	<b>November 1</b>	<b>Minimum Rate</b>
1 year	Prime less 3.50%	2.25 %	2.25 %	2.25 %
2 years	Prime less 3.25%	2.50 %	2.50 %	2.50 %
3 years	Prime less 3.00%	2.75 %	2.75 %	2.75 %
4 years	Prime less 2.50%	3.25 %	3.25 %	3.25 %
5 years	Prime less 2.25%	3.50 %	3.50 %	3.50 %

# Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference

## Notes to Financial Statements

December 31, 2021, 2020, 2019, 2018, and 2017

### Note 6 - Certificates of Investment (continued)

The interest rates and minimum rates in effect during 2017 for each denomination of certificate are as follows:

Type of Certificate	Interest Rate	May 1	November 1	Minimum Rate
1 year	Prime less 5.75%	1.50 %	1.75 %	1.50 %
2 years	Prime less 5.50%	1.75 %	2.00 %	1.75 %
3 years	Prime less 5.25%	2.00 %	2.25 %	2.00 %
4 years	Prime less 4.75%	2.50 %	2.75 %	2.50 %
5 years	Prime less 4.50%	2.75 %	3.00 %	2.75 %

Effective in October 1989, any person investing \$100,000 or more is entitled to an additional 1/2 of 1.00% of interest. Effective June 2013, the additional interest paid to any persons making a single investment of \$100,000 or more is reduced to 1/4 of 1.00% of additional interest. This is applicable to new investments as well as existing investments that renew after this date.

The proceeds from the offering of certificates of investment are subject to a reserve requirement of 15%. The reserved proceeds may not be a part of funds loaned; however, the reserved proceeds are available to meet the Home Mission Council's operating expenses, and may be used to meet the requirements of current maturities of certificates of investment. The reserve requirement is subject to board action, and may be increased or decreased as deemed appropriate by the Board of Trustees.

### Note 7 - Annuities Payable

The Home Mission Council no longer offers the purchasing of new annuities. The annuities payable liability is calculated using present value annuity tables. The excess (or deficiency) in the face amount of annuities purchased over the liability determined is recorded as revenue (or expense) in the year of purchase. Subsequent to the year of purchase, the annuities payable liability is adjusted annually for the change in its present value. This change, increase (or decrease), is recognized as an item of revenue (or expense).

Annuity certificates totaling \$3,250 were held at December 31, 2021, 2020, 2019, 2018, and 2017, and bear interest at 6.7% per annum. Interest on the face value of the annuity certificates is accrued monthly and paid-out either semi-annually or annually to the holders of annuity certificates.

### Note 8 - Income Tax Status

The Home Mission Council has received a ruling from the Internal Revenue Service (IRS) that it is exempt from federal income tax under Section 501(c)(3).

## **Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference**

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### Notes to Financial Statements

December 31, 2021, 2020, 2019, 2018, and 2017

#### **Note 8 - Income Tax Status (continued)**

The Home Mission Council recognizes penalties and interest accrued related to income tax liabilities in the provision (benefit) for income taxes in its statement of activities. For the year ended December 31, 2021, there were no accruals for the payment of penalties and interest. The Home Mission Council follows the standards for accounting for uncertainty in income taxes according to the principles of FASB ASC 740, *Income Taxes*, which prescribes a recognition threshold and measurement attributable for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Home Mission Council, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Home Mission Council had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes have been included in the financial statements. With few exceptions, the Home Mission Council is no longer subject to income tax examinations by the U.S. Federal, state, or local authorities for years ending prior to 2018.

#### **Note 9 - Statement of Cash Flows**

For purposes of the Statement of Cash Flows, cash includes uninvested cash in bank checking and trust accounts. The Home Mission Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Interest payments in the amount of \$218,223, \$158,181, \$76,132, \$66,522, and \$63,537 were made during the years ended December 31, 2021, 2020, 2019, 2018, and 2017, respectively.

#### **Note 10 - Disclosure of Cash Balances in Excess of Federally Insured Amounts**

The Home Mission Council maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Home Mission Council has not experienced any losses in such accounts. The Home Mission Council believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### **Note 11 - Advertising Costs**

The Home Mission Council expenses advertising costs as they are incurred. There was no advertising expense for the years ended December 31, 2021, 2020, 2019, 2018, and 2017.

#### **Note 12 - Related Party Transactions**

The Eastern Regional Conference, Churches of God is considered a related party to the Home Mission Council. The Home Mission Council is a wholly owned subsidiary of the Eastern Regional Conference, Churches of God.

As of December 31, 2021, 2020, 2019, 2018, and 2017, the Eastern Regional Conference, Churches of God owned certificates of investment totaling \$141,415, \$140,150, \$139,219, \$137,872, and \$136,730, respectively. Total interest expense for the years ended December 31, 2021, 2020, 2019, 2018, and 2017 was \$4,911, \$4,867, \$4,825, \$3,783, and \$3,742, respectively.

# Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference

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## Notes to Financial Statements

December 31, 2021, 2020, 2019, 2018, and 2017

### Note 13 - Fair Value Measurements

FASB ASC 820-10-05, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that 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 under FASB ASC 820 are described as follows:

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

Level 2 - Inputs to the valuation methodology include other significant observable inputs such as:

- 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; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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

The following are descriptions of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2021.

#### **Certificates of Deposit**

The carrying amount approximates fair value because of the short-term nature of these investments.

#### **Corporate Bonds and Notes**

Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

**Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference**

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**Note 13 - Fair Value Measurements (continued)**

**Mutual Funds**

Valued at the daily closing price as reported by the fund. Mutual funds held by Home Mission Council are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Home Mission Council are deemed to be actively traded.

Fair values of assets measured on a recurring basis at December 31, are as follows:

	Fair Value Measurements at Reporting Date Using			
	Level 1	Level 2	Level 3	Total
<b>December 31, 2021</b>				
Certificates of deposit	\$ 5,000	\$ -	\$ -	\$ 5,000
Corporate bonds and notes	1,509,693	-	-	1,509,693
Mutual funds - fixed income	59,145	-	-	59,145
<b>Total</b>	<b>\$ 1,573,838</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,573,838</b>
<b>December 31, 2020</b>				
Certificates of deposit	\$ 5,000	\$ -	\$ -	\$ 5,000
Corporate bonds and notes	1,849,688	-	-	1,849,688
Mutual funds - fixed income	71,427	-	-	71,427
<b>Total</b>	<b>\$ 1,926,115</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,926,115</b>
<b>December 31, 2019</b>				
Certificates of deposit	\$ 5,000	\$ -	\$ -	\$ 5,000
Corporate bonds and notes	208,109	-	-	208,109
Mutual funds - fixed income	1,022,215	-	-	1,022,215
<b>Total</b>	<b>\$ 1,235,324</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,235,324</b>
<b>December 31, 2018</b>				
Certificates of deposit	\$ 5,000	\$ -	\$ -	\$ 5,000
Mutual funds - fixed income	924,487	-	-	924,487
<b>Total</b>	<b>\$ 929,487</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 929,487</b>



**Home Mission Council of the Eastern Regional Conference of the Churches of God, General Conference**

Notes to Financial Statements

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**Note 13 - Fair Value Measurements (continued)**

	Fair Value Measurements at Reporting Date Using			
	Level 1	Level 2	Level 3	Total
<b>December 31, 2017</b>				
Certificates of deposit	\$ 5,000	\$ -	\$ -	\$ 5,000
Mutual funds - fixed income	961,407	-	-	961,407
<b>Total</b>	<b>\$ 966,407</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 966,407</b>

**Note 14 - Concentration of Mortgages and Notes Receivable**

The geographic footprint of the Eastern Regional Conference covers Pennsylvania, Maryland, New York, Massachusetts, and Virginia, but is substantially concentrated in Pennsylvania. Accordingly, if economic conditions in these states worsen, particularly in Pennsylvania, the contributions received by borrowing churches may decline, which would adversely affect their ability to repay their mortgages and notes receivable. At December 31, 2021, \$2,937,293 of the total outstanding \$5,390,963 of mortgages and notes receivable were due from Scotland Campus, Inc. located in Scotland, PA.

**Note 15 - Quality of Security for Mortgages and Notes Receivable**

At December 31, 2021, approximately 100% of the aggregate outstanding balance of Home Mission Council's loans was secured by first mortgages. In all cases where mortgages are required, the prospective borrower will be required to submit a satisfactory appraisal demonstrating unencumbered equity in the property in at least the amount of the mortgage. Furthermore, the Eastern Regional Conference has guaranteed payment of each of the loans made by Home Mission Council as of December 31, 2021, with the exception of the Logos Christian Fellowship mortgage, which is guaranteed by the Allegheny Region Church of God, and the three Scotland Campus, Inc. mortgages. However, the Eastern Regional Conference is not obligated to provide guarantees with respect to future loans.

**Note 16 - Risks and Uncertainties**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had an impact and are expected to continue to have an adverse impact on the economy, financial markets, public support, and the geographical area in which the Home Mission Council operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Home Mission Council. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

**Home Mission Council of the Eastern Regional Conference of the  
Churches of God, General Conference**

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Notes to Financial Statements

December 31, 2021, 2020, 2019, 2018, and 2017

**Note 17 - Subsequent Events**

The Home Mission Council has evaluated subsequent events through June 6, 2022. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2021 were noted.