

ASSEMBLIES OF GOD
NORTHERN CALIFORNIA AND NEVADA
DISTRICT COUNCIL, INC,
(A Nonprofit Corporation)

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for 2015)

**ASSEMBLIES OF GOD
NORTHERN CALIFORNIA AND NEVADA
DISTRICT COUNCIL, INC.**

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Assemblies of God
Northern California and Nevada
District Council, Inc.
Sacramento, California

We have reviewed the accompanying statement of financial position of the Assemblies of God Northern California and Nevada District Council, Inc. (a California Nonprofit Corporation) as of December 31, 2016, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The prior year 2015 summarized comparative information was audited by us and we expressed an unmodified opinion on them in our report dated April 13, 2016, but we have not performed any auditing procedures since that date.

Ken Mierzwinski, CPA

Ken Mierzwinski, CPA
KPM Accounting and Management Solutions

San Francisco, California
April 13, 2017

ASSEMBLIES OF GOD
NORTHERN CALIFORNIA AND NEVADA DISTRICT COUNCIL, INC.
(A Nonprofit Corporation)
STATEMENT OF FINANCIAL POSITION

	2016	2015
ASSETS		
Cash	\$ 4,466,492	\$ 4,354,834
Cash held by Home Mission Churches	3,373,350	2,296,279
Cash and stock investments (Note 6)	136,076	134,861
Notes receivable - related party (Note 3)	2,789,169	3,833,996
Accounts receivable	9,424	2,982
Prepaid expenses	43,957	65,077
Property and equipment - net (Note 5)	3,170,705	3,256,146
Home Mission Churches real property - net (Note 4)	16,700,972	17,426,707
 Total assets	 \$ 30,690,145	 \$ 31,370,882
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 177,513	\$ 197,547
Notes payable - secured - Home Mission Properties (Note 7)	9,888,987	11,244,426
Notes payable - unsecured (Note 7)	178,927	192,937
Funds held for others	1,249,894	1,154,198
 Total liabilities	 11,495,321	 12,789,108
Net assets:		
Unrestricted		
Undesignated	1,053,875	1,031,248
Designated	2,476,780	2,377,400
Temporarily restricted	14,643,305	14,203,763
Permanently restricted	1,020,864	969,363
 Total net assets	 19,194,824	 18,581,774
 Total liabilities and net assets	 \$ 30,690,145	 \$ 31,370,882

See accompanying notes to financial statements.

ASSEMBLIES OF GOD
NORTHERN CALIFORNIA AND NEVADA DISTRICT COUNCIL, INC.
(A Nonprofit Corporation)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for 2015)

	Unrestricted		Temporarily Restricted	Permanently Restricted	Review	Audit
	Undesignated	Designated	Home Mission	Endowment	2016 Combined	2015 Combined
Support and Revenue:						
Ministers tithes and dues	\$ 2,187,405	\$ -	\$ -	\$ -	\$ 2,187,405	\$ 2,162,317
Church Ministries Division and auxiliary activities	1,293,665	-	5,085	-	1,298,750	1,276,039
Other offerings and miscellaneous	452,380	49,525	-	-	501,905	769,978
Interest revenue	65,337	70,582	444,775	51,501	632,195	691,415
Insurance premiums collected	-	-	410,094	-	410,094	418,494
Home Mission churches receipts	-	-	9,680,974	-	9,680,974	9,732,473
Total support and revenues	3,998,787	120,107	10,540,928	51,501	14,711,323	15,050,716
Expenses:						
Auxiliary and other program services	813,563	60,196	28,951	55,000	957,710	958,968
General administration	3,003,875	-	1,990	-	3,005,865	2,799,920
Insurance claims and premiums paid	-	-	381,071	-	381,071	428,444
Home Mission interest	-	-	458,692	-	458,692	498,686
Home Mission churches expenses	-	-	8,728,342	-	8,728,342	8,883,293
Total expenses	3,817,438	60,196	9,599,046	55,000	13,531,680	13,569,311
Change in Net Assets Before Capital Additions (Deletions)	181,349	59,911	941,882	(3,499)	1,179,643	1,481,405
Capital Additions (Deletions)						
Gain (loss) on disposition of assets	(40,728)	-	172,473	-	131,745	398,616
Depreciation and amortization	(131,158)	-	(567,180)	-	(698,338)	(637,099)
Total capital additions (deletions)	(171,886)	-	(394,707)	-	(566,593)	(238,483)
Change in Net Assets Before Transfers	9,463	59,911	547,175	(3,499)	613,050	1,242,922
Transfers to (from)Fund	13,164	39,469	(107,633)	55,000	-	-
Net assets, beginning of year	1,031,248	2,377,400	14,203,763	969,363	18,581,774	17,338,852
Net assets, end of year	\$ 1,053,875	\$ 2,476,780	\$ 14,643,305	\$ 1,020,864	\$ 19,194,824	\$ 18,581,774

See accompanying notes to financial statements.

ASSEMBLIES OF GOD
NORTHERN CALIFORNIA AND NEVADA DISTRICT COUNCIL, INC.
(A Nonprofit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for 2015)

	Unrestricted		Temporarily Restricted	Permanently Restricted	Review 2016	Audit 2015
	Undesignated	Designated	Home Mission	Endowment	Combined	Combined
Cash Flows from Operating Activities:						
Changes in Net Assets	\$ 9,463	\$ 59,911	\$ 547,175	\$ (3,499)	\$ 613,050	\$ 1,242,922
Adjustments to reconcile net assets to net cash provided/ (used) by operating activities:						
Depreciation and amortization	131,158	-	567,180	-	698,338	637,099
Interfund transfers	-	(189,860)	189,860	-	-	-
Non-cash contribution	-	-	-	-	-	(212,013)
(Gain)/loss on disposition of assets	40,728	-	(172,473)	-	(131,745)	(398,616)
(Increase) decrease in assets:						
Accounts receivable	(452)	-	(5,990)	-	(6,442)	(6,684)
Prepaid expenses	(17,323)	-	-	-	(17,323)	40,575
Increase (decrease) in liabilities:						
Accounts payable and accrued expenses	(16,777)	-	(3,257)	-	(20,034)	22,747
Funds held for others	95,696	-	-	-	95,696	116,437
Net Cash Provided (Used) by Operating Activities	<u>242,493</u>	<u>(129,949)</u>	<u>1,122,495</u>	<u>(3,499)</u>	<u>1,231,540</u>	<u>1,442,467</u>
Cash Flows from Investing Activities:						
Purchase of property and equipment	(102,448)	-	-	-	(102,448)	8,109
Purchase of real properties			398,359		398,359	(385,000)
Change in cash and stock investments - net	(1,215)	-	-	-	(1,215)	(1,174)
Sale of property and equipment	16,000	-	(218,331)	-	(202,331)	-
Notes receivable - reclass	923,546	-	-	-	923,546	401,223
Principal received on notes receivable	-	161,423	16,968	65,387	243,778	41,122
Net Cash Provided (Used) by Investing Activities	<u>835,883</u>	<u>161,423</u>	<u>196,996</u>	<u>65,387</u>	<u>1,259,689</u>	<u>64,280</u>
Cash Flows from Financing Activities:						
Notes payable payments	(160,812)	-	(218,142)	-	(378,954)	(958,904)
Notes payable - reclass	(923,546)	-	-	-	(923,546)	-
Reserve for future note payments	-	-	-	-	-	(242,453)
Net Cash Provided (Used) by Financing Activities	<u>(1,084,358)</u>	<u>-</u>	<u>(218,142)</u>	<u>-</u>	<u>(1,302,500)</u>	<u>(1,201,357)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,982)	31,474	1,101,349	61,888	1,188,729	305,390
Cash and Cash Equivalents, Beginning of Year	<u>2,155,880</u>	<u>1,963,929</u>	<u>2,344,623</u>	<u>186,681</u>	<u>6,651,113</u>	<u>6,345,723</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,149,898</u>	<u>\$ 1,995,403</u>	<u>\$ 3,445,972</u>	<u>\$ 248,569</u>	<u>\$ 7,839,842</u>	<u>6,651,113</u>

See accompanying notes to financial statements.

**ASSEMBLIES OF GOD
NORTHERN CALIFORNIA AND NEVADA DISTRICT COUNCIL, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(1) ORGANIZATION AND NATURE OF ACTIVITIES

Assemblies of God, Northern California and Nevada District Council, Inc. (the District) is a nonprofit religious corporation. The purpose of the District is to provide support to Assembly churches and members within its geographical boundaries, which include Northern California and Nevada, as defined in the bylaws. Voting membership is comprised of all ordained and licensed ministers in addition to the lay delegates from General Council affiliated Assemblies.

These financial statements include the operations of the District office and the activity of the Home Mission Churches within the District's geographic boundaries. A Home Mission Church is a District Council affiliated church that has not reached sufficient maturity to qualify under the bylaws established for General Council affiliation. The real property and secured debt of the District Council churches are recorded in the District's name or else the District has control of the corporation which holds title to the real property of a District Council church. The operations of the District Council churches are presented in these financial statements. Within the District's geographic boundaries are churches which have qualified under the bylaws established for General Council affiliation and are referred to as General Council churches. These churches are related through affiliation only and the operations of these churches are not presented in these financial statements. The District is affiliated with certain other related corporations. These corporations and their District relationship are as follows:

NAME OF AFFILIATED CORPOTATION	DISTRICT'S RELATIONSHIP
American Indian College of the Assemblies of God	Operated under auspices of ten District Councils of the Assemblies of God
Church Extension Plan, Inc.	Owned and operated by fifty-eight District Councils of the Assemblies of God
Mt. Lassen Assemblies of God Conference Grounds, Inc.	Affiliated and under the auspices of the Assemblies of God, Northern California and Nevada District Council, Inc.
San Francisco Rescue Mission	Affiliated and under the auspices of the Assemblies of God, Northern California and Nevada District Council, Inc.
Holy Ghost Service Center	Affiliated and under the auspices of the Assemblies of God, Northern California
7 District Approved Teen Challenge Programs	Affiliated and under the auspices of the Assemblies of God, Northern California

**ASSEMBLIES OF GOD
NORTHERN CALIFORNIA AND NEVADA DISTRICT COUNCIL, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred.

(b) Basis of Presentation

The presentation for the statements of financial position, activities and change in net assets, and cash flows follows the recommendations of the Financial Accounting Standards Board for *Financial Statements of Not-for-Profit Organizations*.

The District uses fund accounting to ensure the observance of limitations and restrictions placed on the use of the resources available to the District. Accordingly, resources are classified for accounting purposes into separate funds that are in accordance with specified activities or objectives.

The following Net Assets including the following fund balances:

Undesignated Net Assets – include the Operating, Plant, Retired Officers, and Ministers' Benevolence funds.

Designated Net Assets – consist of Quasi-Endowment funds that have been designated so that the principal of the funds is not expended. Investment income of the funds will be expended to provide monthly assistance for candidate missionaries. While the funds are established for the same purpose as an Endowment Fund, principal of the Quasi-Endowment funds may be expended with approval of the District Presbytery.

Temporarily Restricted Net Assets – include the Home Mission Fund. The Home Mission Fund includes all revenues and expenses and all assets of the Home Mission Churches which are restricted to aid in the establishment of Home Mission Churches.

Permanently Restricted Net Assets – include the Endowment Fund. The Endowment Fund was initiated in 1988 by the sale of property donated to the District with restrictions that allow the use of the income only, with the principal remaining intact. The income from the fund is restricted to the establishment and aid of new churches within the Northern California and Nevada District.

(c) Cash and Cash Equivalents

The District considers cash on hand, cash on deposit, and investments with original maturities of ninety days or less at the time of purchase to be cash and cash equivalents.

ASSEMBLIES OF GOD
NORTHERN CALIFORNIA AND NEVADA DISTRICT COUNCIL, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Investments

Investments in money market funds and corporate stocks with readily determinable fair values and all investments in debt securities are recorded at fair value in the statement of financial position. Unrealized gains and losses are recognized in the statement of activities as increases or decreases in unrestricted net assets, unless the gain or loss is temporarily or permanently restricted by donor stipulation or by law.

(e) Notes and Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on the assessment of the current status of receivables. There was no allowance for doubtful accounts at December 31, 2016.

(f) Property and equipment

Property and equipment are stated at cost or, if donated, at estimated fair value on the date of the gift. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which are as follows:

Undesignated fund depreciation expense for 2016 is	\$131,158
Home Mission fund depreciation expense for 2016 is	\$567,180

(g) Donated Goods and Services

All property and equipment donated to the District are reflected as contributions in the accompanying financial statements based upon their estimated fair market value at the date of receipt. Donated labor and services consisting of volunteer labor hours is not recognized as contribution revenue in the financial statements unless such labor is ordinarily purchased and of a specialized nature. For the year ended December 31, 2016 the District did not recognize volunteer labor hours in the financial statements.

(h) Contributions

Contributions are recognized when the donor makes a promise to give to the District that is, in substance, unconditional. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. The District follows the Not-For-Profit Entities subtopic and Revenue Recognition subtopic of the FASB Accounting Standards Codification with respect to contributions. In accordance with these subtopics, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**ASSEMBLIES OF GOD
NORTHERN CALIFORNIA AND NEVADA DISTRICT COUNCIL, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(i) Income Taxes

The District is a qualified organization exempt from Federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively.

(j) Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

(k) Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Certain notes receivable have been reclassified to cash based on the terms of the agreements.

(l) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(3) NOTES RECEIVABLE – RELATED PARTY

	Unrestricted		Temporarily Restricted	Permanently Restricted	2016 Combined
	Undesignated	Designated	Home Mission	Endowment	
Bethany College	\$ 375,071	\$ -	\$ -	\$ -	\$ 375,071
Affiliated Churches	211,944	-	-	692,357	904,301
Home Mission/Various	-	895,204	614,593	-	1,509,797
	<u>\$ 587,015</u>	<u>\$ 895,204</u>	<u>\$ 614,593</u>	<u>\$ 692,357</u>	<u>\$ 2,789,169</u>

**ASSEMBLIES OF GOD
NORTHERN CALIFORNIA AND NEVADA DISTRICT COUNCIL, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(4) HOME MISSION CHURCHES REAL PROPERTY

Home Mission Churches real property at December 31, 2016 consist of the following:

	Cost	Fair Market Value	Total
Land	\$ 3,069,842	2,395,953	\$ 5,465,795
Properties	11,495,551	10,182,701	21,678,252
Vehicles	19,000	-	19,000
T. Challenge Properties	1,185,346	-	1,185,346
	<u>15,769,739</u>	<u>12,578,654</u>	<u>28,348,393</u>
Less: Accumulated depreciation			(11,647,421)
Real Properties, net			<u><u>\$ 16,700,972</u></u>

(5) PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 consist of the following:

Buildings and improvements	\$ 3,868,182
Furniture and equipment	1,254,144
Land	794,268
Vehicles	263,822
	<u>6,180,416</u>
Less: Accumulated depreciation	(3,009,711)
Property and equipment, net	<u><u>\$ 3,170,705</u></u>

(6) INVESTMENTS

The District uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Church measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

	Level 1	Level 2	Level 3	Total
Money market	\$ -	\$ 100,854	\$ -	\$ 100,854
Corporate stocks	35,222	-	-	35,222
Total	<u><u>\$ 35,222</u></u>	<u><u>\$ 100,854</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 136,076</u></u>

- Level 1 inputs are based on quoted prices in active markets for identical assets.
- Level 2 inputs are based on similar assets based on significant other observable inputs.
- Level 3 inputs are based on significant unobservable inputs.

**ASSEMBLIES OF GOD
NORTHERN CALIFORNIA AND NEVADA DISTRICT COUNCIL, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(7) NOTES PAYABLE – (SECURED AND UNSECURED)

Secured notes payable at December 31, 2016 were comprised of:

Home Mission Fund:

Notes secured by real property with combined monthly principal and interest payments of \$65,668 with interest ranging from 3.25% to 9.5%. Payments on Home Mission Fund secured notes are made by individual churches.

\$ 7,233,154

Operating Fund:

Note secured by real property with monthly payments of \$20,000 with interest at 3.75% at December 31, 2016 subject to adjustment every quarter. Interest only payments with principal due October 2025.

2,614,735

Notes payable secured by automobiles

41,098

Total secured notes payable

\$ 9,888,987

Unsecured notes payable at December 31, 2016 were comprised of:

Plant Fund:

Payable to employees, former employees and affiliated entities at 0% to 2% with interest payable semi-annually, due on demand.

178,927

Total Notes Payable (secured and unsecured)

\$ 10,067,914

Scheduled principal payments on the notes payable are as follows:

	Home Mission Fund	Operating Fund	Plant Fund	Total
2016	\$ 300,977	\$ 98,631	\$ 32,296	\$ 431,904
2017	319,306	102,394	30,654	452,354
2018	338,791	106,301	32,557	477,649
2018	359,385	110,356	26,528	496,268
2020	374,963	114,566	26,758	516,287

**ASSEMBLIES OF GOD
NORTHERN CALIFORNIA AND NEVADA DISTRICT COUNCIL, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

(8) NOTES PAYABLE – RELATED PARTY

	Undesignated	Home Mission	2015 Combined
AGF's	\$ -	\$ 4,998,143	\$ 4,998,143
CEP, Inc.	-	2,235,011	2,235,011
Employees, other related	178,927	-	178,927
	178,927	7,233,154	7,412,081
Unrelated	2,655,833	-	2,655,833
Totals	\$ 2,834,760	\$ 7,233,154	\$ 10,067,914

(9) GUARANTEE OF NOTES PAYABLE FOR AFFILIATES

On June 30, 2014 Bethany University of the Assemblies of God was sold. The District has guaranteed Bethany University's loan of \$3,902,569 to AG Financial Services (AGFS).

The balance of the loan guarantee at December 31, 2016 consisted of the following:

Secured	Interest Rate	Required Monthly Payment
\$ 2,749,323	3.50%	\$ 11,250

(10) RETIREMENT PLANS

The District has a 403b pension plan adopted through the Ministers Benefit Association (MBA). In 2016 the District made contributions to MBA on behalf of the employees in the amount of \$76,738.

(11) SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through April 13, 2017, which is the date the financial statements were available to be issued.

In January of 2017, final payment from the buyer of the Bethany Campus was received. The corresponding mortgage note (for which the district was co-signor) with a remaining balance of \$2,749,323 was paid in full. (Refer to Note 9)