FINANCIAL REPORT

MONICA J. STERN, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT
11225 NORTH 28TH DRIVE, SUITE A-100
PHOENIX, ARIZONA 85029

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Presbytery
Arizona Ministry Network of the Assemblies of God
Phoenix, Arizona

I have reviewed the accompanying consolidated financial statements of Arizona Ministry Network of the Assemblies of God (an Arizona nonprofit corporation) and Affiliates (the "Network"), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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, I do not express such an opinion.

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

Accountant's Responsibility
My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

I am required to be independent of Arizona Ministry Network of the Assemblies of God and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my review.

Basis for Adverse Conclusion
As disclosed in Note 1 to the consolidated financial statements, accounting principles generally accepted in the United States of America require that the consolidated financial statements include all assets, liabilities and financial activities of the Network. Management has informed me that the consolidated financial statements do not reflect the assets, liabilities, net assets, activities, functional expenses and cash flows of the Network-affiliated churches nor are all related-party transactions with Network-affiliated and member Churches disclosed. Additionally, certain personnel and facility costs are not allocated between program and non-program expenses. Presentation of such information is required by accounting principles generally accepted in the United States of America. Had such information been recorded, many elements of the accompanying consolidated financial statements would have been materially affected. The effects on the consolidated financial statements of the failure to include such information have not been determined.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT (continued)

Adverse Conclusion

Based on my review, due to the significance of the matters described in the Basis for Adverse Conclusion paragraph, the consolidated financial statements are not in accordance with accounting principles generally accepted in the United States of America.

Monica J. Stern, CPA, PLLC

March 18, 2024

ARIZONA MINISTRY NETWORK OF THE ASSEMBLIES OF GOD AND AFFILIATES
Consolidated Statement of Financial Position
December 31, 2023

	Arizona Ministry Network of the Assembly of God	The Arizona District Council of the Assemblies of God: General Operations Fund	Death Benefit Fund	Total District
ASSETS				
Cash and cash equivalents	$ 738,890	$ 168,371	$ 4,832	$ 173,203
Accounts receivable, net	2,249	-	820	820
Deposits and prepaid expenses	14,378	-	-	-
Investments				
Term certificates held in financial institution:	-	410,384	-	410,384
Land parcels	-	2,000	-	2,000
Intercompany real property	-	1,889,158	-	1,889,158
Property held for sale	-	1,105,535	-	1,105,535
Notes receivable, related party, net	16,617	3,000	-	3,000
Cash restricted for future building	-	-	-	-
Operating lease right of use asset	9,029	-	-	-
Land, buildings and equipment, net	11,251	861,136	-	861,136
Investment in affiliates	-	-	-	-
Intercompany receivables	512,950	2,217,499	-	2,217,499
Total assets	$ 1,305,364	$ 6,657,083	$ 5,652	$ 6,662,735
LIABILITIES				
Accounts payable	$ 57,145	$ 176	$ -	$ 176
Accrued expenses				
Wages and related benefits	20,509	-	-	-
Interest	-	4,823	-	4,823
Sabbatical	10,609	-	-	-
Severance	89,500	-	-	-
Other	14,520	-	-	-
Agency liability - due to other organizations/ individuals	208,368	440,424	-	440,424
Deferred income	200		130	130
Refundable deposits	-	1,300	-	1,300
Operating lease liability	9,170	-	-	-
Notes payable, net	-	1,737,656	-	1,737,656
Intercompany payable	-	228,181	-	228,181
Total liabilities	410,021	2,412,560	130	2,412,690
NET ASSETS				
Without donor restrictions				
Designated - other	137,465	157,604	5,522	163,126
Designated - property held for sale	-	543,035	-	543,035
Undesignated	710,475	3,543,884	-	3,543,884
	847,940	4,244,523	5,522	4,250,045
With donor restrictions	47,403	-	-	-
Total net assets	895,343	4,244,523	5,522	4,250,045
Total liabilities and net assets	$ 1,305,364	$ 6,657,083	$ 5,652	$ 6,662,735

See accompanying notes and independent accountant's review report

Arizona District Council of the Assemblies of God Kingdom Legacy Fund	Arizona Assemblies of God Real Estate Holding Company, LLC	Granite Hills Retreat and Conference Center, LLC	Intercompany Eliminations	Total Consolidated
$ 172	$ 48,368	$ 308,659	$ -	$ 1,269,292
-	18,760	7,272	-	29,101
-	-	-	-	14,378
-	-	152,143	-	562,527
-	-	-	-	2,000
-	-	-	(1,889,158)	-
-	-	-	-	1,105,535
-	-	-	-	19,617
-	-	15,454	-	15,454
-	-	-	-	9,029
-	1,897,441	1,349,765	-	4,119,593
-	-	-	-	-
-	3,927	-	(2,734,376)	-
$ 172	$ 1,968,496	$ 1,833,293	$ (4,623,534)	$ 7,146,526
$ -	$ 10,867	$ 17,317	$ -	$ 85,505
-	890	3,007	-	24,406
-	-	2,725	-	7,548
-	-	-	-	10,609
-	-	-	-	89,500
-	912	-	-	15,432
-	-	-	-	648,792
-	5,336	1,264	-	6,930
-	40,323	17,000	-	58,623
-	-	-	-	9,170
-	-	1,221,946	-	2,959,602
24,285	481,910	2,000,000	(2,734,376)	-
24,285	540,238	3,263,259	(2,734,376)	3,916,117
-	-	195,218	-	495,809
-	-	-	-	543,035
(24,113)	1,428,258	(1,640,638)	(1,889,158)	2,128,708
(24,113)	1,428,258	(1,445,420)	(1,889,158)	3,167,552
-	-	15,454	-	62,857
(24,113)	1,428,258	(1,429,966)	(1,889,158)	3,230,409
$ 172	$ 1,968,496	$ 1,833,293	$ (4,623,534)	$ 7,146,526

ARIZONA MINISTRY NETWORK OF THE ASSEMBLIES OF GOD AND AFFILIATES
Consolidated Statement of Activities
For the Year Ended December 31, 2023

	Arizona Ministry Network of the Assembly of God	The Arizona District Council of the Assemblies of God		
		General Operations Fund	Death Benefit Fund	Total District
SUPPORT AND REVENUE				
Contributions of cash and other financial assets	$ 2,196,550	$ 9,417	$ -	$ 9,417
Contribution from member church of property held for sale	-	543,035	-	543,035
Program activities	1,577,617	-	16,480	16,480
Rental activities	-	80,081	-	80,081
Interest	5,455	3,794	-	3,794
Gain (loss) on disposal of assets	-	1,700	-	1,700
Total revenues and other support	3,779,622	638,027	16,480	654,507
Net assets released from restrictions from restrictions - satisfied by payments	-	-	-	-
	3,779,622	638,027	16,480	654,507
EXPENSES				
Program expenses:				
Camp	-	-	-	-
Arizona missions	274,825	-	-	-
Children's ministries	324,064	-	-	-
Youth ministries	831,552	-	-	-
Women's ministries	218,010	-	-	-
Men's ministries	92,014	-	-	-
Death benefit	-	-	17,638	17,638
Secondary education	97,789	-	-	-
Assistance to member churches	-	5,526	-	5,526
Other programs	423,399	-	-	-
Total program expenses	2,261,653	5,526	17,638	23,164
Non-program expenses:				
General operations	1,132,352	51,415	-	51,415
Fundraising	197,341	-	-	-
Real estate activities	-	98,919	-	98,919
Total supporting services	1,329,693	150,334	-	150,334
Total expenses	3,591,346	155,860	17,638	173,498
TRANSFERS BETWEEN COMPANIES	(64,078)	49,478	-	49,478
CHANGE IN NET ASSETS	124,198	531,645	(1,158)	530,487
NET ASSETS, beginning of year	771,145	3,712,878	6,680	3,719,558
INVESTMENT IN RELATED ENTITIES	-	-	-	-
NET ASSETS, end of year	$ 895,343	$ 4,244,523	$ 5,522	$ 4,250,045

The accompanying notes are an integral part of this statement

Arizona District Council of the Assemblies of God Kingdom Legacy Fund	Arizona Assemblies of God Real Estate Holding Company, LLC	Granite Hills Retreat and Conference Center, LLC	Intercompany Eliminations	Total Consolidated	Without Donor Restrictions	With Donor Restrictions
$ -	$ -	$ 211,717	$ -	2,417,684	$ 2,216,637	$ 201,047
-	-	-	-	543,035	543,035	-
-	-	947,410	(550,600)	1,990,907	1,990,907	-
-	373,231	84,150	-	537,462	537,462	-
-	484	3,219	-	12,952	12,952	-
-	(9,084)	(7,371)	-	(14,755)	(14,755)	-
-	364,631	1,239,125	(550,600)	5,487,285	5,286,238	201,047
-	-	-	-	-	210,435	(210,435)
-	364,631	1,239,125	(550,600)	5,487,285	5,496,673	(9,388)
-	-	1,181,008	-	1,181,008	1,181,008	-
-	-	-	-	274,825	274,825	-
-	-	-	(179,602)	144,462	144,462	-
-	-	-	(304,991)	526,561	526,561	-
-	-	-	(39,458)	178,552	178,552	-
-	-	-	(26,549)	65,465	65,465	-
-	-	-	-	17,638	17,638	-
-	-	-	-	97,789	97,789	-
-	-	-	-	5,526	5,526	-
-	-	-	-	423,399	423,399	-
-	-	1,181,008	(550,600)	2,915,225	2,915,225	-
1,585	7,594	24,522	-	1,217,468	1,217,468	-
-	-	60,481	-	257,822	257,822	-
-	410,272	-	-	509,191	509,191	-
1,585	417,866	85,003	-	1,984,481	1,984,481	-
1,585	417,866	1,266,011	(550,600)	4,899,706	4,899,706	-
-	-	14,600	-	-	-	-
(1,585)	(53,235)	(12,286)	-	587,579	596,967	(9,388)
(30,028)	(225,165)	(1,417,680)	(175,000)	2,642,830	2,570,585	72,245
7,500	1,706,658	-	(1,714,158)	-	-	-
$ (24,113)	$ 1,428,258	$ (1,429,966)	$ (1,889,158)	$ 3,230,409	$ 3,167,552	$ 62,857

ARIZONA MINISTRY NETWORK OF THE ASSEMBLIES OF GOD AND AFFILIATES

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2023

	PROGRAM EXPENSES						
	Camp	Arizona Missions	Children's Ministries	Youth Ministries	Women's Ministries	Men's Ministries	Death Benefit
Salaries and related benefits	$ 222,265	$ 130,560	$ 31,665	$ 161,194	$ 21,373	$ 1,992	$ -
Other employee benefits	31,268	27,302	1,334	17,614	901	84	-
Payroll taxes	15,589	-	463	6,060	5	-	-
Total employee related expenses	269,122	157,862	33,462	184,868	22,279	2,076	-
Assistance to member churches and other organizations	-	49,873	-	-	-	-	-
Assistance to individuals/scholarships	-	1,800	-	-	2,640	-	16,720
Legal fees	-	-	-	-	-	-	-
Accounting	-	-	-	-	-	-	-
Other professional fees	851	-	19,952	67,351	19,522	5,815	-
Advertising and promotion	2,801	-	-	-	2,004	-	-
Office expenses	6,789	2,134	5,392	21,542	2,489	1,825	918
Bank and merchant fees	-	-	1,102	3,894	530	2,985	-
Equipment	6,889	-	-	709	-	-	-
Information technology	7,531	-	-	130	216	-	-
Food services	260,832	-	-	-	-	-	-
Occupancy	269,392	-	-	-	3,050	-	-
Property taxes	-	-	-	-	-	-	-
Travel and transportation	13,133	45,560	2,036	98,799	37,837	15,942	-
Conferences, conventions and education	2,789	4,579	12,090	12,039	7,641	5,821	-
Insurance	54,543	12,351	962	1,786	1,142	-	-
Supplies, meals and gifts	39,922	666	69,442	114,891	72,299	13,069	-
Event fees	-	-	24	20,552	6,903	17,932	-
Total expenses before depreciation, interest and taxes	934,594	274,825	144,462	526,561	178,552	65,465	17,638
Depreciation	196,090	-	-	-	-	-	-
Interest, including amortization of debt issuance costs	50,324	-	-	-	-	-	-
Total expenses, after eliminations	$ 1,181,008	$ 274,825	$ 144,462	$ 526,561	$ 178,552	$ 65,465	$ 17,638

See accompanying notes and independent accountant's review report.

				NON-PROGRAM EXPENSES				
Secondary Education	Assistance to Member Churches	Other Programs	Total program services	General Operations	Fundraising	Real Estate Activities	Total Non-program Expenses	Total
$ 68,932	$ -	$ -	$ 637,981	$ 663,521	$ 221,884	$ 44,573	$ 929,978	$ 1,567,959
8,088	-	-	86,591	143,446	27,222	8,806	179,474	266,065
1,025	-	-	23,142	22,808	8,716	3,404	34,928	58,070
78,045	-	-	747,714	829,775	257,822	56,783	1,144,380	1,892,094
-	5,526	222,068	277,467	-	-	-	-	277,467
1,136	-	21,750	44,046	-	-	-	-	44,046
-	-	-	-	8,847	-	4,935	13,782	13,782
-	-	-	-	29,608	-	-	29,608	29,608
-	-	22,210	135,701	425	-	17,244	17,669	153,370
563	-	-	5,368	19,658	-	-	19,658	25,026
2,549	-	6,037	49,675	52,193	-	5,092	57,285	106,960
5,352	-	-	13,863	51,116	-	-	51,116	64,979
42	-	-	7,640	70,718	-	-	70,718	78,358
-	-	-	7,877	8,686	-	-	8,686	16,563
-	-	-	260,832	-	-	-	-	260,832
-	-	-	272,442	7,978	-	192,316	200,294	472,736
-	-	-	-	-	-	26,652	26,652	26,652
4,637	-	46,792	264,736	57,272	-	-	57,272	322,008
-	-	37,356	82,315	450	-	-	450	82,765
-	-	-	70,784	32,463	-	27,166	59,629	130,413
5,465	-	35,393	351,147	5,829	-	11,986	17,815	368,962
-	-	31,793	77,204	-	-	-	-	77,204
			-					
97,789	5,526	423,399	2,668,811	1,175,018	257,822	342,174	1,775,014	4,443,825
-	-	-	196,090	41,534	-	109,841	151,375	347,465
-	-	-	50,324	916	-	57,176	58,092	108,416
$ 97,789	$ 5,526	$ 423,399	$ 2,915,225	$ 1,217,468	$ 257,822	$ 509,191	$ 1,984,481	$ 4,899,706

ARIZONA MINISTRY NETWORK OF THE ASSEMBLIES OF GOD AND AFFILIATES

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 587,579
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	347,465
Loss on disposal of assets	14,755
Amortization of right of use asset	8,569
Amortization of loan fees	3,387
Accumulated interest on investments not yet withdrawn	(11,242)
Contribution from member church of property held for sale	(543,035)
(Increase) decrease in accounts receivables, net, related party	4,948
(Increase) decrease in accounts receivables, net	(22,372)
(Increase) decrease in employee advances	200
(Increase) decrease in deposits and prepaid expenses	33,974
(Increase) decrease in property held for sale	(83,500)
Increase (decrease) in accounts payable	(64,263)
Increase (decrease) in accrued wages and related benefits	589
Increase (decrease) in accrued interest	1,932
Increase (decrease) in accrued sabbatical	(23,838)
Increase (decrease) in accrued severance	5,000
Increase (decrease) in other accrued expenses	15,432
Increase (decrease) in agency liability	121,336
Increase (decrease) in deferred income	(8,174)
Increase (decrease) in refundable deposits	8,976
Increase (decrease) in operating lease liability	(8,939)
Net cash provided by operating activities	388,779
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(366,000)
Collection on notes receivable, related party	79,005
Collection on notes receivable	136,123
Purchase of land, buildings and equipment	(112,041)
Proceeds from sale of equipment	6,700
Net cash used in investing activities	(256,213)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from notes payable	83,500
Payments on notes payable	(96,075)
Net cash used in financing activities	(12,575)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	119,991
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	1,164,755
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of year	$ 1,284,746

The accompanying notes are an integral part of this statement

(1) Summary of Significant Accounting Policies

CONSOLIDATED FINANCIAL STATEMENTS – These consolidated financial statements reflect the activities of five entities. Consolidation is required because of the existence of control and economic interest in the related entities. All significant transactions and balances between the entities have been eliminated and are collectively referred to in these financial statements as the "Network".

NATURE OF ORGANIZATION AND REPORTING ENTITY – The five consolidated entities consist of the following:

Arizona Ministry Network of the Assemblies of God, an Arizona non-profit corporation, ("Arizona Ministry"), was formed in July 2015. The effective date of Arizona Ministry operations was January 1, 2016. The Arizona Ministry is a cooperative fellowship based on mutual agreements voluntarily entered into by its members. Members include Arizona resident ministers holding accredited fellowship certificates from the General Council of the Assemblies of God, Inc. and all General Council and Network affiliated churches located in Arizona.

The Arizona District Council of the Assemblies of God, an Arizona non-profit corporation, ("District"), which was organized in 1939, facilitates loans for construction of churches and sponsors numerous other programs. Arizona Ministry is the sole member of the District.

In May 2012, Arizona District Council of the Assemblies of God Kingdom Legacy Fund, an Arizona nonprofit corporation, ("Legacy Fund"), was formed as a support organization to raise, manage and maintain funds to benefit the Network and to own other companies which, in turn, own real property and conduct leasing activities.

The Legacy Fund is the sole member of Arizona Assemblies of God Real Estate Holding Company, LLC, an Arizona nonprofit limited liability company, ("Holding Company"), which holds title to and leases an office building in Phoenix, Arizona. Approximately 72% of the building is leased to unrelated tenants. The Legacy Fund is the sole member of Granite Hills Retreat and Conference Center, LLC, an Arizona nonprofit limited liability company ("GHRCC"), which operates a camp facility.

The Network has 207 member churches of which 107 are affiliated churches. Some of the affiliated churches are incorporated as separate legal entities and others are unincorporated or formed as limited liability companies. The Network provides overall supervision of all affiliated churches, however the Churches' pastors control the day-to-day operations of the Churches. Arizona Ministry's governing board, the Presbytery, designates its members to serve as the majority governing board of the affiliated churches. In addition, the District holds title to real estate and is obligated on mortgage loans of the affiliated churches, but treats the assets and liabilities as those of the affiliated churches.

AOG Church Operations, LLC, ("AOG") an Arizona non-profit limited liability company, was formed in January 2015 to facilitate creation and operation of churches and other Christian ministries under the auspices of the Assemblies of God. AOG is the sole member of affiliated Churches operating limited liability companies. The Arizona District Council of the Assemblies of God is the sole member of AOG. The board members are inter-related. Activity of AOG is not included in these consolidated financial statements.

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

NATURE OF ORGANIZATION AND REPORTING ENTITY (continued) – As related to the affiliated churches, the Network does not follow the provisions of Financial Accounting Standards Board (FASB) ASC 958-810-25-3 which requires combined or consolidated financial statements for certain related entities. The relationship of the Network and the affiliated churches is such that accounting principles generally accepted in the United States of America require the Network to comply with the FASB provisions and issue financial statements that include the financial activities of the affiliated churches, whether or not separately incorporated.

In addition, these consolidated statements do not reflect the assets, liabilities and financial activities of the Network affiliated churches or those operating under AOG over which the Network exercises management and financial control, and therefore, may not be relied upon as a complete presentation of the Network's financial position and activities as required under accounting principles generally accepted in the United States of America. Additionally, certain personnel and facility costs are not allocated between program and non-program expenses, and disclosures for related party transactions are not adequate or complete.

BASIS OF PRESENTATION – These consolidated financial statements, which are presented using accounting principles generally accepted in the United States of America (except as noted above), have been prepared to focus on the Network as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into two classes of net assets - net assets with donor restrictions and net assets without donor restrictions.

BASIS OF ACCOUNTING – The Network maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

FAIR VALUE MEASUREMENTS – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Accounting principles generally accepted in the United States includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Church has the ability to access at the measurement date.

Level 2: Observable inputs other than the quoted prices included in Level 1 for similar assets or liabilities in active or non–active markets.

Level 3: Unobservable inputs (not actively traded or not available) that reflect the Church's own assumptions about the assumptions that market participants would use in pricing the asset, based on the best information available in the circumstances.

In instances where the determination of fair value measurements is based on inputs from different levels of the hierarchy, the level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Changes to the methodologies used as of December 31, 2023, from the previous year include investments held in term share certificates previously valued as level 2 investments are now reported at cost plus accumulated earned interest, and investments in land parcels which were previously valued as level 2 are now reported as level 3.

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

FAIR VALUE OF FINANCIAL INSTRUMENTS – The carrying amount of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short maturity of those instruments.

USE OF ESTIMATES – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS – For purposes of the Consolidated Statement of Cash Flows, the Network considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

ACCOUNTS RECEIVABLE – Accounts receivable are unsecured and carried at cost, less an allowance for credit losses. The Network has adopted the reserve method of accounting for uncollectible receivables. The allowance is determined based upon an analysis of specific customers, taking into consideration the age of past due accounts, an assessment of each customer’s ability to pay, and current and projected future conditions. Receivables are charged off when the account cannot be collected. No interest is charged on past due accounts and have a contractual maturity of one year or less.

INVESTMENTS – TERM SHARE CERTIFICATES HELD IN FINANCIAL INSTITUTIONS – Investments in term share certificates held in financial institutions with maturity dates greater than three months are valued at cost plus accumulated earned interest.

INVESTMENTS – LAND PARCELS – Investments in land are valued at fair value when donated and are Level 3 investments. Unrealized gains and losses are included in investment income reported in the change in net assets and presented net of investment fee.

NOTES RECEIVABLE – Notes receivable are carried at cost when not held for sale, and at market when held for sale. No fees or costs are charged or incurred in connection with lending activities. Interest income is recognized monthly as it accrues using the simple interest method, when the agreement states interest will be charged on outstanding balances. Losses on uncollectible notes, if any, are estimated based on any difference between the net realizable value of the property secured by the note and the amount of the note and are presented as an allowance for credit losses. Any uncollectible balances are charged off when the note cannot be enforced and/or cannot be collected in the future. Notes are placed into non-accrual status based on management's review of the note, the history of payments on the note and the opportunity for receiving future payments. Notes are recorded as delinquent based on the contractual terms of the note. No notes are held for sale as of December 31, 2023.

LAND, BUILDINGS AND EQUIPMENT – The Network capitalizes land, buildings and equipment with a cost, if purchased, or fair market value, if contributed, of over $1,000. Maintenance and repairs are charged to expense as incurred. Depreciation is recorded based on the estimated useful life of the asset using the straight-line method.

IMPAIRMENT OF LONG-LIVED ASSETS – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

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

DEBT ISSUANCE COSTS – Debt issuance costs are being amortized over the life of the related note payable. Amortization is classified as interest expense and was $3,387 for the year ended December 31, 2023.

SUPPORT WITH DONOR RESTRICTIONS AND WITHOUT DONOR RESTRICTIONS – Contributions received are recorded as support under net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. Assets contributed with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support under net assets with donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities as net assets released from restrictions.

CONTRIBUTED NONFINANCIAL ASSETS – Contributed nonfinancial assets contributions are recorded as support at their estimated fair values at the date of contribution.

Contributions of property and equipment are recorded as support at their estimated fair value at the date of contribution. Such contributions are reported as support under net assets without donor restrictions unless the donor has restricted the asset to a specific purpose. Assets contributed with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support under net assets with donor restrictions. Absent donor stipulations regarding how long contributed assets must be maintained, the Network reports expirations of donor restrictions when the assets are placed in service as instructed by the donor. The Network reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

No amounts have been reflected in the consolidated financial statements for donated services. The Network pays for most services requiring specific expertise. However, approximately 430 individuals volunteered their time and performed a variety of tasks that assisted the Network with various youth and children's camps and women's and men's retreats. No significant nonfinancial assets were contributed during the year.

REVENUE FROM CONTRACTS WITH CUSTOMERS – The Network recognizes revenue in the accounting period in which the performance obligation is satisfied for program fees. The transfer of the performance obligations occur at a single point in time as services are rendered. Cancellations result in a refund of the amount paid in advance. Program fees are generally due in advance of the event.

LEASES/LESSEE – The Network calculates operating lease liabilities with a risk-free discount rate, using a comparable period with the lease term. Lease and non-lease components are combined for all leases. Lease payments for leases with a term of 12 months or less, which are short term leases, are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized.

LEASES/ LESSOR – Taxes collected are excluded from the consideration in all contracts. Tenant rents are due by the first of the month. Cabin owner assessments are due annually.

ADVERTISING COSTS – Advertising costs are expensed as incurred.

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

EXPENSE ALLOCATION – The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Functional Expenses. Accordingly, certain costs have been allocated to programs and general operations. General operations include expenses that are not directly identifiable with any specific program but provide for the overall support and direction of the Network. Facility costs, including maintenance, utilities, interest and depreciation for the administrative offices, as well as certain personnel costs, are charged to general operations and are not allocated in accordance with generally accepted accounting principles.

SABBATICAL – All full-time Network officials receive 12 weeks of sabbatical and $7,000 every 7 years of employment and all full-time department heads receive 8 weeks of sabbatical and $4,000 every 7 years of employment.

SEVERANCE/RETIREMENT – All full-time Network officials receive $2,000 per year of employment upon termination of employment and all full-time department heads receive $1,000 per year of employment upon termination of employment.

REPAIRS AND MAINTENANCE EXPENSE – The Network utilizes the direct expensing method for any planned major maintenance projects. Under this method, the Network expenses all costs associated with major planned maintenance activities as incurred.

RECENT ACCOUNT PRONOUNCEMENT – At the beginning of 2023, the Organization adopted FASB ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifieds the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's consolidated financial statements but did change how the allowance for credit losses is determined.

(2) **Liquidity and Availability of Financial Assets**

The following table reflects the Network's financial assets available, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when the assets have been received from donors for a specific time or purpose or designated by the Board of Directors for specific purposes.

Financial assets:	
Cash and cash equivalents	1,284,746
Accounts receivable	29,101
Investments maturing within one year	562,527
Notes receivable due within one year	4,050
	1,880,424
Less those unavailable for general expenditures within one year, due to:	
Board designations	(495,809)
Donor restrictions	(62,857)
Financial assets available within one year to meet cash needs for general expenditures	$ 1,321,758

(2) **Liquidity and Availability of Financial Assets** (continued)

The Organization manages its liquid resources by employing a variety of measures, including focusing on generating adequate revenues to cover the costs of its activities and monitoring costs closely. In addition, the Network has hard assets with the ability to borrow against those assets, should additional funds be necessary.

(3) **Cash and Cash Equivalents**

Cash and cash equivalents consist of the following at December 31, 2023:

Cash on hand	$ 1,800
Cash in checking accounts	349,721
Cash in savings accounts	424,283
Cash in money market accounts	493,488
	$ 1,269,292
Cash in savings account restricted for future building	$ 15,454

The Network maintains back accounts at one Phoenix area bank and two credit unions. Deposits held at these financial institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA). From time to time, these deposits may exceed the insurance limits. As of December 31, 2023, the total uninsured cash balance was $102,702 creating a concentration of credit risk. Management has placed these funds in high-quality institutions to minimize the risk.

(4) **Accounts Receivable, Net**

Accounts receivable consist of the following as of December 31, 2023:

	Accounts Receivable	Less: Allowance for credit losses	Net Balance
Program activities:			
Arizona Ministry	$ 2,249	$ -	$ 2,249
District	820	-	820
Rental activities:			
Holding Company	18,760	-	18,760
GHRCC	7,272	-	7,272
	$ 29,101	$ -	$ 29,101

Accounts receivable balances consist of amounts billed to churches, other organizations and individuals for program and rental activities. Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. No allowance was reported as of December 31, 2023, and there were no write offs in 2023. The Network separates program and rental activity accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of the statement of financial position date, the Network develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectation about current and future economic conditions. Balances more than 30 days outstanding are considered past due and amounts more than 90 days outstanding totaled $6,023.

(5) Investments – Term Share Certificates Held in Financial Institutions

Term share certificates held in financial institutions consist of the following as of December 31, 2023:

District		
Term share certificates held at credit union:		
4.89%, due June 5, 2024	$	93,467
4.00%, due May 21, 2024		97,757
Term share certificates held at AG Financial:		
5.00%, due July 10, 2024		138,287
3.25%, due February 23, 2024		80,873
		410,384
GHRCC		
Term share certificate held at credit union:		
5.35%, due September 24, 2024		152,143
	$	562,527

Term share certificates held in financial institutions are exposed to various risks such as interest rate, market, and credit risks. Term share certificates held at a credit union are insured by the NCUA. Term share certificates held at AG Financial are not insured or guaranteed by FDIC, SIPC (Securities Investor Protection Corporation), or by any other entity. It is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the investment balances and the amounts reported in the Consolidated Statement of Financial Position.

(6) Property Held for Sale

The District has three properties that are held for sale. Assets that are to be disposed of by sale are required to be reported at the lower of carrying amount or fair value less costs to sell. Management believes that the net realizable value of the properties to be $1,105,535. The fair values of the properties are categorized at Level 3.

Two properties, that were categorized as held for sale in a prior year are valued using market prices of similar assets. A third property was listed for sale during the year ended December 31, 2023, and is included in the total value of property held for sale as of December 31, 2023. This property, which is titled in the District's name, was not previously recorded in land, building and equipment. The property was sold in February 2024, at a contract sales price, net of the cost to sell, of $543,035, which was used to determine fair value as of December 31, 2023. A contribution from member church for property held for the fair value was reported on the Consolidated Statement of Activities during the year. The property has been designated to be used for church plants.

(7) Notes Receivable, Related Party, Net

Notes receivable, related party, net, consist of the following as of December 31, 2023:

Arizona Ministry		
Non-accrual 0.00% loan to one affiliated church, unsecured, $200 payment due monthly, due September 30, 2030	$	16,617

(7) **Notes Receivable, Related Party, Net** (continued)

District	
Non-accrual 0.00% loan to one affiliated church, unsecured, $100 payment due monthly, due July 1, 2025	3,000
	19,617
Less: allowance for credit losses	-
	$ 19,617

Maturities of the notes receivable are as follows:

Year Ending December 31,	Arizona Ministry	District	Total
2024	$ 2,850	$ 1,200	$ 4,050
2025	2,400	1,200	3,600
2026	2,400	600	3,000
2027	2,400	-	2,400
2028	2,400	-	2,400
Thereafter	4,167	-	4,167
	$ 16,617	$ 3,000	$ 19,617

A concentration of credit risk exists because all notes are receivable from entities located in Arizona.

(8) **Land, Buildings, and Equipment**

The following summarizes land, buildings and equipment as of December 31, 2023:

	Arizona Ministry	District	Holding Company	GHRCC	Total
Buildings	$ -	$ 907,495	$ 2,423,836	$ 2,427,555	$ 5,758,886
Equipment and fixtures	142,569	27,321	22,263	495,299	687,452
Land improvements	-	-	239,583	1,392,674	1,632,257
Vehicles	-	298,998	-	-	298,998
	142,569	1,233,814	2,685,682	4,315,528	8,377,593
Less: accumulated depreciation	(131,318)	(539,596)	(1,310,875)	(3,211,778)	(5,193,567)
	11,251	694,218	1,374,807	1,103,750	3,184,026
Land	-	166,918	522,634	229,080	918,632
Construction in progress	-	-	-	16,935	16,935
	$ 11,251	$ 861,136	$ 1,897,441	$ 1,349,765	$ 4,119,593

Depreciation expense totaled $347,465 for the year ended December 31, 2023. Substantially all assets held by the District and GHRCC are secured by the notes payable. Approximately 72% of the land, land improvements, and buildings owned by the Holding Company is rented to unrelated tenants or available for rent.

(9) **Leases**

The District leases various office equipment under operating leases expiring through June 2025. Some of the leases include options to renew on a monthly basis. The lease agreements do not include any variable payments, material residual value guarantees or restrictive covenants.

The following summarizes the line items in the Consolidated Statement of Financial Position that include amounts for operating leases as of December 31, 2023:

Operating lease right of use assets	$	9,029
Operating lease liabilities	$	9,170

The components of operating lease expenses that are included in the equipment line item in the Consolidated Statement of Functional Expenses and summarized in the Consolidated Statement of Activities, were as follows:

Operating lease cost	$	8,811
Short-term lease cost	$	4,260

The following summarizes cash flow information related to leases for the year ended December 31, 2023.

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating lease	$	8,939

Weighted average lease term and discount rate as of December 31, 2022 were as follows:

Weighted average remaining lease term years	1.21
Weighted average discount rate	2.6%

The maturities of the operating lease liabilities were as follows:

Year Ending December 31,		
2024	$	7,832
2025		1,465
Total lease payments		9,297
Less: present value adjustment		(127)
Present value of lease liability	$	9,170

(10) **Notes Payable, Net of Debt Issuance Costs**

Notes payable consist of the following as of December 31, 2023:

District		
3.84% note payable (original amount $1,523,533) in monthly installments of $7,955 with $1,091,231 balloon payment due July 2032. Secured by real property and by property held for sale.	$	1,468,387

(10) **Notes Payable, Net of Debt Issuance Costs** (continued)

5.25% note payable (original amount $125,545) in monthly installments of $693, with final payment due December 2037. Secured by property held for sale.	179,937
4.89% note payable (original amount $90,000) in monthly installments of $1,448 with final payment due November 2028. Secured by vehicle.	45,391
4.89% note payable (original amount $41,600) in monthly installments of $669 with final payment due November 2028. Secured by vehicle.	34,970
0.00% note payable (original amount $41,269) in monthly installments of $860 with final payment due February 2026. Secured by vehicle.	22,354
	1,751,039
Less: unamortized debt issuance costs	(13,383)
	$ 1,737,656
GHRCC	
3.8% note payable (original amount $1,279,871) in monthly installments of $6,690, with $915,652 balloon payment due July 2032. Secured by GHRCC property.	1,233,411
Less: unamortized debt issuance costs	(11,465)
	$ 1,221,946
Total notes payable	$ 2,984,450
Less: total unamortized debt issuance costs	(24,848)
	$ 2,959,602

Both 3.84% notes payable will be assessed a prepayment penalty of one percent (1%) if refinanced with another financial institution. Also, in the event of default, the interest rate will be increased to 18%. The effective interest rate is substantially equal to the stated rate for all notes payable, except the 0.00% note, which is not significant to the consolidated financial statements.

(10) **Notes Payable, Net of Debt Issuance Costs** (continued)

Maturities of the notes payable are as follows:

Year Ending December 31,	District	GHRCC	Total
2024	$ 67,752	$ 33,403	$ 101,155
2025	68,163	34,842	103,005
2026	64,128	36,203	100,331
2027	65,082	37,618	102,700
2028	65,322	38,994	104,316
Thereafter	1,420,592	1,052,351	2,472,943
	$ 1,751,039	$ 1,233,411	$ 2,984,450

Interest expense, none of which was capitalized, was $108,416 for the year ended December 31, 2023, which also included amortization of debt issuance costs of $3,387.

(11) **Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following:

Purpose restricted for programs:	
Arizona Network	
Assistance to other organizations/individuals	$ 46,876
Other	527
Total purpose restricted for programs	47,403
Purpose restricted for buildings	
GHRCC	15,454
	$ 62,857

(12) **Net Assets Without Donor Restrictions - Designated**

The Presbytery of the Network has designated net assets without donor restrictions as follows:

Arizona Network	
Church planting	$ 64,856
Office equipment replacement	10,763
Vehicle replacement	38,155
Assistance to other organizations/individuals	23,691
	137,465
District	
Principal paydown on Willcox, AZ parsonage	19,317
Sunizona property - future church plants	138,287
Kingman property - future church plants	543,035
Death benefits	5,522
	706,161

(12) **Net Assets Without Donor Restrictions – Designated** (continued)

GHRCC	
Buildings	195,218
	$ 1,038,844

(13) Revenue Recognized From Contracts With Customers

Disaggregation of Revenue

The following table summarizes revenue from contracts with customers for the year ended December 31, 2023:

Revenue:	
Camp program fees	$ 396,810
General program fees	1,594,097
Total revenue from contracts with customers	$ 1,990,907

Contract Balances

The timing of revenue recognition, billings and cash collections can result in billed accounts receivable, unbilled receivables (contract assets), and deferred revenue (contract liabilities) on the Consolidated Statement of Financial Position.

The beginning and ending contract balances were as follows:

	December 31, 2023	January 1, 2023
Receivables:		
Accounts receivable, net - related party	$ -	$ 4,948
Accounts receivable, net - other	3,069	6,714
Contract liabilities:		
Refundable deposits	$ 17,000	$ 14,000
Deferred revenue	1,594	7,450

(14) Rental Activity

The Holding Company owns an office building in central Phoenix. Approximately 72% of the space is available for lease to unrelated tenants through January 2028. The District owns an office building in Apache Junction, which is currently being leased. Approximately 54% of the space is available for lease to two unrelated tenants through June 2025 and to one related tenant (member church) through March 2025.

The ending asset and liability balances related to rental activities were are as follows:

Accounts receivable	$ 26,032
Refundable advances – security deposits	41,623

(14) **Rental Activity** (continued)

Minimum future lease payments to be received from tenants under non-cancellable operating leases are as follows:

Year Ending December 31,	District	Holding Company	Total
2024	$ 71,248	$ 415,876	$ 487,124
2025	24,384	274,413	298,797
2026	-	261,940	261,940
2027	-	219,179	219,179
2028	-	10,372	10,372
	$ 95,632	$ 1,181,780	$ 1,277,412

(15) **Camp Leases**

GHRCC leases land to approximately 60 cabin owners who have built structures on the land used as a camp. The initial lease periods range from 5 to 99 years. Annual assessment fees are set by the GHRCC Board. Currently, the annual assessment for each owner is 1% of the purchase price or a minimum of $500 if purchased before September 1, 2005, and 1% of the purchase price or a minimum of $1,200 if purchased after this date.

(16) **Deductible Gifts and Income Tax Exemption**

Arizona Ministry is automatically exempt under Internal Revenue Code Section 501(c)(3) as an assembly of churches. The District is exempt under 501(c)(3) through a group exemption with the General Council of the Assemblies of God, Inc. The Legacy Fund has received a determination letter from the Internal Revenue Service granting exemption under 501(c)(3). LLC entities are “disregarded” and take the exemption of the sole member.

Bequests, legacies, devises, transfers, and gifts to the Network entities are deductible for Federal estate and gift tax purposes. Network entities are not classified as private foundations by the Internal Revenue Service.

(17) **Retirement Plan**

The Arizona Network contributes to a denominational 403(b) retirement plan on behalf of all elected Network officers who are full-time employees. The Arizona Network contributes 12.65% of compensation and total contributions were $50,525 during the year ended December 31, 2023.

(18) **Contingent Liabilities**

The District is liable for loans totaling $277,760 for six District affiliated churches and $330,181 for one non-affiliated member church. These loans, and the property securing them, are in the District’s name. The churches that occupy the real property make the payments directly to the lenders. The real property and related loans are not reflected in these consolidated financial statements as is required for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America. As of December 31, 2023, none of the loans were more than 90 days past due.

(18) **Contingent Liabilities** (continued)

The District also periodically guarantees mortgage loans for non-affiliated member and District affiliated and non-affiliated member churches. As of December 31, 2023, the District was contingently liable for loans totaling $1,411 for two District affiliated churches and $392,013 for three non-affiliated member churches. All loans that the District has guaranteed are secured by deeds of trust on church properties, which management believes to be adequate collateral should a church default. As of December 31, 2023, none of the loans were more than 90 days past due.

Since the properties serving as collateral for the loans are located solely in Arizona, a concentration of credit risk exists.

These consolidated financial statements do not necessarily disclose all contingencies for which the Network may be liable. The failure of the Network to include the affiliated churches in these consolidated financial statements may result in the omission of significant contingent and non-contingent liabilities. It is reasonably possible that the Network could be held liable for affiliated and non-affiliated church loans or other contingencies in the near future.

In addition, from time to time, the Network is subject to legal claims in the normal course of business. These claims are generally settled within the limits of the Network's liability insurance.

(19) **Cash Flow Information**

Cash paid for interest during the year ended December 31, 2023, was $116,874, $68,325 by the District and $48,549 by GHRCC. No amounts were paid for income or excise taxes.

Non-cash transaction: During the year ended December 31, 2023, a District property was listed for sale. The property was not previously reported as a District asset and was recorded as a contribution from a member church of a property held for sale at $543,055.

Cash, cash equivalents and restricted/designated cash on the Consolidated Statement of Cash Flows consist of the following items included in the Consolidated Statement of Financial Position as of December 31, 2023:

Cash and cash equivalents	$ 1,269,292
Cash restricted for future building	15,454
Cash, cash equivalents and restricted cash, ending	$ 1,287,746

(20) **Uncertain Tax Position**

The Network implemented accounting guidance related to uncertain tax positions. Using that guidance, tax provisions initially need to be recognized in the financial statements when it is more-likely-than-not that the position will not be sustained upon examination by the tax authorities.

As of December 31, 2023, the Network had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. The Network will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. No income tax liability or expense was incurred for 2023.

(21) **Subsequent Events**

Subsequent events were evaluated by management through March 18, 2024, which is the date the consolidated financial statements were available to be issued.

Sale of District held property – Kingman, AZ:
On February 26, 2024, the District sold real property, which is recorded as property held for sale as of December 31, 2023. The contract sales price net of selling costs was $543,035, of which the District is carrying $355,000. The terms for the promissory note require monthly principal and interest payments of $2,244 beginning in March 2024, with a balloon payment due in February 2027. The stated interest rate is 6.50%. Cash proceeds received from the sale totaled $187,960.

Closing of Network Church - Paradise Hills Christian Center (Assembly of God)
During February 2024, a General Council church ceased operations. The church had previously sold the property and carried the financing for the sale. The terms of the note agreement originally entered into during 2019, require remaining monthly payments of $10,000 to be paid in 2024, with a balloon payment due in December 2024. The note is non-interest bearing. The church was originally created with a "reversionary clause" so that in the event the church closes, all assets revert to the Network. As such the Network received cash of $315,559 and will also receive all future payments related to the note receivable, which based on the agreement in place total $294,000. The Presbyters approved funds generated be designated for new church plants.