

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

\$200,000,000

VISION UNSECURED PROMISSORY NOTES

Six-months (6) to five-year (5) maturity
Interest rate: determined at time of issuance; currently ranging from .75% to 3.5%
Interest payments: monthly, quarterly, semi-annually, or annually; Investor's option
Interest may be retained or compounded

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

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

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

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

THIS OFFERING IS SUBJECT TO CERTAIN RISKS.

(SEE RISK FACTORS)

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

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

FOR RESIDENTS OF ALL STATES

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

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

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

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

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

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

ALASKA RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED, AND IS EXEMPT FROM REGISTRATION UNDER THE ALASKA SECURITIES ACT, SECTION 45.55.900(a)(11).

ARKANSAS RESIDENTS

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

RESTRICTION ON TRANSFER: The security represented by this certificate has been executed pursuant to an exemption from registration under the Securities Act of 1933 and the Arkansas Securities Act in reliance upon the representation of the holder hereof that the same is acquired for investment purposes. This note may accordingly not be resold or otherwise transferred or conveyed in the absence of registration of the same pursuant to the applicable securities laws or unless an opinion of counsel satisfactory to the issuer is first obtained that such is not then necessary. Any transfer contrary hereto is void.

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

CALIFORNIA RESIDENTS

Investors must have either (i) a minimum net worth of at least \$70,000 and had a minimum gross income of \$70,000 during the last tax year and will have (based on a good faith estimate) a minimum gross income of \$70,000 during the current tax year, or in the alternative (ii) a

minimum net worth of \$250,000. In either case the investment shall not exceed 10 percent of the net worth of the investor. A “small investor” who, including this offering, has not purchased more than \$2,500 worth of this issuer’s securities in the past twelve (12) months may also purchase the securities in this offering (up to a maximum of \$2,500). Net worth shall be determined exclusive of homes, home furnishings and automobiles.

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

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

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

CONNECTICUT RESIDENTS

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

DELAWARE RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED, AND IS EXEMPT FROM REGISTRATION UNDER THE DELAWARE SECURITIES ACT, SECTION 7309(a)(9).

DISTRICT OF COLUMBIA RESIDENTS

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

FLORIDA RESIDENTS

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

GEORGIA RESIDENTS

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

HAWAII RESIDENTS

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

IDAHO RESIDENTS

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

ILLINOIS RESIDENTS

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

INDIANA RESIDENTS

THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF OR RECOMMENDED OR GIVEN APPROVAL TO, THE SECURITIES HEREBY OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

KANSAS RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF TRANSACTION EXEMPTION UNDER SECTION 17-12a-202(14) OF THE KANSAS UNIFORM SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE KANSAS SECURITIES COMMISSIONER. THE SECURITIES COMMISSIONER DOES NOT RECOMMEND NOR ENDORSE THE

PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

KENTUCKY RESIDENTS

These securities are issued pursuant to a claim of exemption from registration under section KRS 292.400(9) of the Kentucky Securities Act.

MAINE RESIDENTS

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

MARYLAND RESIDENTS

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

MASSACHUSETTS RESIDENTS

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

MICHIGAN RESIDENTS

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

MINNESOTA RESIDENTS

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

MISSISSIPPI RESIDENTS

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

MISSOURI RESIDENTS

THESE SECURITIES ARE EXEMPT FROM REGISTRATION UNDER SECTION 409.2-201(7) OF THE MISSOURI REVISED STATUTES (MO REV STAT). THE ISSUER HAS FILED A NOTICE OF THIS OFFERING WITH THE OFFICE OF THE MISSOURI SECRETARY OF STATE, SECURITIES DIVISION PURSUANT TO MO REV STAT SECTION 409.2-207(B) AND MISSOURI CODE OF STATE REGULATIONS SECTION 30-54.070. THE SECURITIES DIVISION HAS NOT PASSED ON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

MONTANA RESIDENTS

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

NEVADA RESIDENTS

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

NEW HAMPSHIRE RESIDENTS

THIS OFFERING OF SECURITIES IS EXEMPT FROM REGISTRATION UNDER THE NEW HAMPSHIRE REVISED STATUTES, SECTION 421-B:17.1(m).

NEW JERSEY RESIDENTS

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

NEW MEXICO RESIDENTS

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

NEW YORK RESIDENTS

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

NORTH CAROLINA RESIDENTS

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

OKLAHOMA RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED AND IS EXEMPT FROM REGISTRATION UNDER THE OKLAHOMA UNIFORM SECURITIES ACT, SECTION 1-201(7).

OREGON RESIDENTS

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

RHODE ISLAND RESIDENTS

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

SOUTH CAROLINA RESIDENTS

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF TRANSACTION EXEMPTION UNDER SECTION 35-1-202(14) OF THE SOUTH CAROLINA UNIFORM SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE SOUTH CAROLINA ATTORNEY GENERAL,

SECURITIES DIVISION. THE SECURITIES DIVISION DOES NOT RECOMMEND NOR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TEXAS RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED, AND IS EXEMPT FROM REGISTRATION UNDER THE TEXAS SECURITIES ACT, SECTION 581-6.J.

UTAH RESIDENTS

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

VERMONT RESIDENTS

THIS OFFERING OF SECURITIES IS NOT REGISTERED, AND IS EXEMPT FROM REGISTRATION UNDER THE VERMONT SECURITIES ACT, SECTION 5201(7).

WASHINGTON RESIDENTS

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

WEST VIRGINIA RESIDENTS

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

WISCONSIN RESIDENTS

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

THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

INFORMATION IN THIS OFFERING CIRCULAR

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

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

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

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RIGHT OF WITHDRAWAL

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

SUMMARY OF OFFERING

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

1. Church Extension Plan: CEP is an Oregon non-profit corporation, organized and operated by member districts of the Assemblies of God, for the purpose of assisting Assemblies of God churches and organizations in the United States and Puerto Rico with church expansion activities.
2. Limited Class of Investors: The class of potential investors for the Investments described in this Offering Circular is limited to persons who were, prior to the receipt of this Offering Circular, members of, contributors to (including investors), participants in the Assemblies of God, CEP, or any program, activity or organization which constitutes a part of the Assemblies of God or CEP, or other religious organizations that have a programmatic relationship with the Assemblies of God or CEP.
3. Risk Factors: Potential investors are urged to carefully read the Risk Factors which appear in the next section of this Offering Circular in order to better understand certain important factors relating to CEP, its use of the proceeds of investments, and the nature of the investment obligations themselves. Note that CEP issues two (2) types of securities, Partners Plus Church Certificates (“Certificate” or “Certificates”) and Vision Unsecured Promissory Notes (“Note” or “Notes”). This Offering Circular relates only to Vision Unsecured Promissory Notes. (See RISK FACTORS)
4. Financial Status: As of December 31, 2017, the end of the most recent accounting year preceding the date of this Offering Circular, for which audited financial statements are available, CEP’s financial status was as follows:

Assets	
Cash	\$ 26,544,885
Investments	10,557,902
Total Cash & Investments	37,102,787
Unitrust Investments	136,279
Other Assets	540,560,555
Total Assets	<u>\$ 577,799,621</u>
Liabilities	
Unsecured Certificates Payable	\$ 68,085,000
Certificate Discount	(26,714,882)
Net Certificate Liability	41,370,118
Other Liabilities	518,560,230
Total Liabilities	<u>559,930,348</u>
Net Assets	
Unrestricted	17,674,538
Temporarily Restricted	194,735
Total Net Assets	<u>17,869,273</u>
Total Liabilities & Net Assets	<u>\$ 577,799,621</u>

5. Financial Statements: CEP's most recent audited financial statements are available within 120 days of its most recent year-end and available upon request. Current audited financial statements are found beginning on page 41 of this Offering Circular.

6. Use of Proceeds: The proceeds received from the sale of the Notes will be added to CEP's general funds which are used for operational purposes and to make loans to Assemblies of God churches and organizations. The church projects which are financed in part through the issuance of the Notes described in this Offering Circular (and CEP's Partners Plus Church Certificate offering which is described in a separate Offering Circular) include primarily capital expansion projects, particularly the construction and renovation of church facilities and the acquisition of sites upon which new worship and education facilities can be constructed. CEP will invest excess funds not held in interest-bearing checking accounts and/or money market accounts only in (1) FDIC insured certificates of deposit; (2) fixed income securities rated "A" or better, as rated by major rating companies; and (3) US Government securities or US Government Agency securities. Not more than 25% of such funds shall be invested in any single institution other than the US Government and its Agencies, and not more than 50% of such invested funds shall be invested in any type of investment other than US Government and Agency securities.

7. Annuity Reserve Funds: CEP also offers a charitable gift annuity program. The investment policy for its annuity reserve funds differ from that of its policy for borrowed funds. The charitable gift annuity program provides for the payment of a fixed income stream to the income beneficiary for life, and upon death the remaining balance is to be paid to the remainder beneficiary. The combined goals of the high-income stream to the income beneficiary and the

preservation of corpus for the remainder beneficiary suggest a high equity exposure. CEP has elected a conservative approach designed to provide greater stability to the annuity reserve, and still have a significant equity exposure. CEP has elected a total return approach designed to balance the income requirement and long-term growth of corpus, the goal being to achieve a unified return in the range of 6.5% to 8.5%.

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

RISK FACTORS

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

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

2. No Sinking Fund or Trust Indenture: No sinking fund or trust indenture has been or will be established to insure or secure the repayment of Notes.

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

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

5. **NASAA Statement of Policy Guideline: The North America Securities Administrators Association, Inc. (NASAA) sets various benchmarks for church extension funds. CEP does not currently meet the NASAA net asset benchmark. The NASAA Statement of Policy is that at the end of its most recent fiscal year, an Issuer's net assets be positive and equal to five percent (5%) or more of total assets. As of December 31, 2017, CEP's net assets as a percentage of total assets (capitalization) were 3.09%, 2.92% and 2.65% in 2016 and 2015, respectively. (See Analysis of Selected Financial Data, Net Assets, and audited financial statements, footnote 22.)**

6. Loan Delinquencies: The percentage of loans receivable 90 days or more past due was 9.4%, 9.2% and 9.4% as of December 31, 2017, 2016 and 2015, respectively. As of February 28, 2018, the percentage of loans 90 days or more past due was 9.9%. These percentages include nonaccrual loans. (See LENDING ACTIVITIES)

7. Proceeds Added To CEP's General Fund: Proceeds received from both the sale of Certificates and Notes will be added to CEP's general funds. General funds are used for operating expenses and to carry out CEP's primary purpose, which is to provide financing to Assemblies of God churches for capital projects. (See USE OF PROCEEDS).

8. Workout Arrangements: CEP may enter into work out arrangements, which modify the interest and/or principal payment obligations of any borrowing church whose loan is in default or imminent default with respect to payments of principal or interest. Such work out arrangements may decrease the likelihood of a default. Workout arrangements include evaluation of debtor's current financials, assessing the reason for delinquency, developing a workout plan, and maintaining ongoing communication to ensure workout requirements are met.

9. Loss Reserves May Be Insufficient: The allowances for credit losses as of the end of 2017, as reflected in footnotes 3 and 5 to the audited financial statements, is equal to approximately 1.41% of the total of mortgages receivable and 26.1% of net certificates receivable. If such allowances turn out to be insufficient to cover losses actually realized in the future, CEP's financial condition would be adversely affected.

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

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

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

13. Liquid Assets Subject to Risks: CEP's liquid assets that are invested in readily marketable securities are subject to losses if the market value of such investments decline. In order to meet anticipated cash needs, it is CEP's practice to maintain liquid funds consistent with the North American Securities Administration Association, Inc. (NASAA) statement of policy regarding church extension funds. The NASAA statement of policy is that at the end of its most recent fiscal year, the Issuer's cash, cash equivalents, readily marketable securities and available lines of credit have a value of at least eight percent (8%) of the principal balance of its total outstanding Vision Unsecured Promissory Notes and Partners Plus Church Certificates.

14. Tax Consequences: Interest earned on the Notes is subject to reporting for income tax purposes. No contribution deduction is allowed by reason of the purchase of any security described in this Offering Circular. A professional tax advisor should be consulted regarding all tax matters.

15. Repayment: CEP's loans are made to Assemblies of God churches and organizations whose ability to repay the loans depends primarily upon contributions that they receive from their members and friends. There are no assurances that individual church membership, attendance or per capita contributions by members or friends of churches will increase or remain stable. Contributions may decline for a variety of reasons, including but not limited to the general impact of a softening economy, increased job losses or other economic difficulties encountered by church members, and/or a decline in the business prospects of donors. CEP's ability to pay

the principal of the Notes, and the interest thereon, depends upon a number of factors, including the financial success of individual churches to which CEP makes loans, particularly in areas where CEP has a high concentration of loans, such as California and Florida, as well as CEP's operating income which alone may not be sufficient to meet principal and interest requirements on its outstanding obligations, which include Partners Plus Church Certificates in addition to the Notes described in this Offering Circular. (See AUDITED FINANCIAL STATEMENTS)

16. Loan Policies: Loans made by CEP are to Assemblies of God churches and organizations. Because of the relationship between CEP and its borrowers, loan policies, including loan underwriting and enforcement of loan terms in the event of delinquency, are less stringent than those of commercial lenders. (See CHURCH LOANS)

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

18. Second Mortgages: In some cases, loans are secured by a second, rather than a first mortgage or trust deed. As of December 31, 2017, 2016 and 2015, there were no loans secured by second mortgages or second deeds of trust.

19. Unsecured Loans: In some cases, loans are unsecured. Unsecured loans totaled \$1,534,836, \$1,672,347 and \$1,660,679 as of December 31, 2017, 2016 and 2015, respectively. In each case, these amounts represent less than one percent (1%) of all mortgages receivable. If any of these loans resulted in a loss, CEP's financial condition would be weakened.

20. Church Property Locations: A high percentage of loans are made to churches in the State of California (approximately 20% of all loans representing approximately 24% of the dollar amount of all loans). Some counties in California, as well as other states, have experienced seismic activity in the past. In addition, CEP has a number of loans to churches in the State of Florida (approximately 8% of all loans representing approximately 9% of the dollar amount of all loans) and other parts of the southeastern United States, which is subject to hurricane and flooding perils. Most churches do not carry casualty insurance on church buildings covering earthquake, flooding, or hurricane perils because of limited availability, high premium cost, and the large percentage of self-insurance required under those policies that are available. CEP has not experienced any loan losses due to these perils. Any substantial uninsured loss due to these perils or other natural disasters may adversely affect CEP's financial condition.

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

22. Automatic Renewal at Maturity Unless Otherwise Elected: If the investor does not notify CEP in writing on or before the maturity of the election not to extend or renew the Note, the Note will be renewed and extended for the same period of time as the preceding term. CEP's most recent Offering Circular and current rate chart are made available to the investor annually and in advance of renewal. Interest rates offered vary according to market conditions and the length of time of the investment. The renewal interest rate may be less than that of the original

investment. Current rates are available at www.cepnet.com. Automatic renewal as described above does not apply to California and Oregon residents.

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

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

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

26. Other Debt of CEP: In addition to the securities described in this Offering Circular, CEP issues Partners Plus Church Certificates, described in a separate Offering Circular. All Certificates and Notes, being unsecured, are of the same rank and priority. CEP also has a line of credit secured by certain assets. (See footnotes 10-12 of the AUDITED FINANCIAL STATEMENTS)

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

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

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

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

30. Risks Related to an Inability to Maintain Historical Rates of Renewal: For the past three (3) fiscal years, the blended average of total Notes that have renewed at maturity is 88%. CEP cannot assure investors that the historical renewal rate of Notes at maturity will continue. A significant reduction in the renewal of Notes by investors at maturity could adversely impact CEP's ability to repay Notes.

HISTORY & OPERATIONS

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

The program was created in response to difficulties encountered by Assemblies of God churches in securing conventional financing. Since Assemblies of God churches are self-governed, they cannot draw upon the financial strength and resources of a state or national organization. Therefore, CEP was founded for the purpose of making low-cost funds available to Assemblies of God churches in order to assist them in spreading the Gospel by making it possible for them to expand their physical facilities. Certificates form a basis for church loans.

The requirement of Certificates as a percentage of the loan was generally at least 1-5% in 2017, 2016 and 2015. The average Certificate base for loans was one percent (1%) in 2017, 2016 and 2015. In most cases, the Certificate proceeds are substantially less than the related church loan; CEP borrows the difference (the "over-loan") by the issuance of CEP's Notes, the securities that are described in this Offering Circular.

CEP's members consist of 59 of the 67 District Councils of the Assemblies of God. Each member District is a separate non-profit organization which oversees the various individual Assemblies of God ministers in its District. The Assemblies of God fellowship consists of individual, independent churches voluntarily associating together as members of District Councils. In most cases, District boundaries correspond to state boundaries. The various District Councils are members of the General Council of the Assemblies of God located in Springfield, Missouri. The Assemblies of God has more than three million members and adherents in the United States. Other information regarding CEP is as follows:

1. Property and Equipment: CEP is located at 4070 27th Court SE, Suite 210, Salem, Oregon 97302, in its own two-story building consisting of approximately 20,000 square feet on each level, with adjacent parking. CEP occupies the upper level and the lower level is leased to a third party. The land, building, and improvements are carried on the books at cost of \$6,066,814 less accumulated depreciation of \$1,388,104, as of December 31, 2017. Other property and equipment includes office equipment, furniture and software. CEP also has other real estate owned representing church properties acquired by CEP as satisfaction, or partial satisfaction, of delinquent loans. (See the following footnotes to the audited financial statements for more details on property and equipment and other real estate owned: footnote 1 "Summary of Significant

Accounting Policies,” footnote 6 “Property and Equipment,” footnote 7 “Other Rental Property,” and footnote 8 “Other Real Estate Owned.”)

2. Employees: CEP has 47 employees, which consist of the following: president, chief financial officer, two (2) vice presidents, a controller, 41 consultants and office staff and one (1) part-time person.

3. Board Meetings: CEP is managed by its board of directors which consists of representatives of qualifying Districts of the Assemblies of God. The full Board meets twice a year, usually in August and November. The Executive Committee of the Board meets quarterly. Investors do not obtain any right to vote, or participate in any way, in CEP’s management, attend any meetings or obtain any reports.

4. Financial Statements: CEP’s most recent audited financial statements are available to investors within 120 days of its most recent year-end. Financial statements are available upon request, or at www.cepnet.com.

5. Earnings: CEP generates earnings primarily through interest income from church loans and the sale of Partners Plus Church Certificates. (See the following footnotes to the audited financial statements for more details on Certificate revenue: footnote 1 “Summary of Significant Accounting Policies,” paragraph entitled *Certificate Revenue Recognition* and footnote 13 “Certificate Revenue.”)

USE OF PROCEEDS

Proceeds received from the issuance of Notes will be added to CEP’s general funds. General funds are used for operating expenses and to carry out CEP’s primary purpose, which is to provide financing to Assemblies of God churches for capital projects, including (1) the purchase, construction or expansion of church facilities, (2) the purchase of buildings and property sites for eventual church use, and (3) the refinance of existing church loans. The term “church” includes religious organizations affiliated with the Assemblies of God.

Pending such uses, the proceeds may be invested in short-term instruments and marketable securities that CEP believes will provide a financial return consistent with the goal of preserving the assets of CEP for eventual use in providing financing for Assemblies of God churches. If loan payments from borrowers are lower than expected or redemptions of the Notes, Partners Plus Church Certificates, and other debt obligations are greater than expected, a portion of the proceeds may be used to meet such principal and interest requirements on the Notes, Partners Plus Church Certificates, or other outstanding debt obligations.

Expense of Offering Circulars:

The total anticipated expenses related to the development of this offering, together with the offering for Partners Plus Church Certificates is \$320,000:

- | | |
|--------------------------------------|-----------|
| • Legal fees | \$5,000 |
| • Audit and accounting fees | \$105,000 |
| • Printing fees | \$4,000 |
| • State securities registration fees | \$40,000 |
| • Advertising | \$165,000 |

- Postage \$1,000

Estimated annual expenses amount to less than one percent (1%) of the estimated annual gross proceeds of the two offerings.

FINANCING & OPERATIONAL ACTIVITIES

CEP currently issues two (2) types of securities, both unsecured: Vision Unsecured Promissory Notes and Partners Plus Church Certificates. This Offering Circular relates only to Vision Unsecured Promissory Notes.

1. Outstanding Securities and Other Debt: A description and summary of CEP's outstanding securities and other debt obligations as of the end of its most recent fiscal year, is as follows:

SECURED

Line of Credit Secured by Mortgages	\$ 10,000,000
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UNSECURED

Vision Notes: Six-month to five-year maturities	505,644,127
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<u>Gift Annuities and Unitrusts</u>	557,654
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Certificates:

<p>Mature in 20 years at 150% of original cost. Certificates are sold only in connection with a specific church loan, and are pledged to CEP as collateral security for the related church loan. Certificate liability represents CEP's estimate of the current value of CEP's obligation in the future for maturing Certificates. The difference between the total value at maturity and the current value of the liability as shown on the balance sheet is called Certificate Discount, which is amortized to expense over the life of the Certificate. As reflected in Note 12 to the audited financial statements, certificate liability is shown net of a Certificate discount of \$ 26,714,882.</p>	41,370,118
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Deferred Compensation:

An unfunded obligation payable to an employee's beneficiaries upon his death	912,348
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<u>Other: Accounts, interest and other</u>	1,446,101
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Total Unsecured	549,930,348
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Total Outstanding Securities & Other Debt	\$ 559,930,348
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2. Cash Receipts from Sale of Securities and Amount of Redemptions: A description of the receipts from the sale of securities, and the amount of redemptions on securities, in CEP's prior fiscal year on a cash flow basis, is as follows:

Vision Notes

Cash received from issuance of Vision Notes	\$ 60,914,681
Cash disbursements for redemptions	(71,251,633)
Receipts over (under) disbursements, Vision Notes	<u>\$ (10,336,952)</u>

Certificates

Cash received from Certificates	\$ 259,431
Cash disbursements for redemptions	(2,772,871)
Receipts over (under) disbursements, Certificates	<u>\$ (2,513,440)</u>

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

Certificates Receivable:

Certificates are typically paid for over 50 months. Generally no interest is charged on the unpaid balance for Certificates. The unpaid balance is net of a discount of \$10,259 and an allowance of \$25,000.

\$ 70,874

Loans Receivable

Church Loans, Secured: Loans secured by mortgages

\$ 503,613,729

Church Loans, Unsecured:

Unsecured loans consists of two (2) District loans totaling \$73,163 and 22 churches totaling \$1,461,673

1,534,836

Allowance for loan losses

(7,100,000)

Net Loans Receivable

\$ 498,048,565

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

Certificates of Deposit: Certificates of deposit at various banks. Amounts are fully FDIC insured. \$ 2,169,507

Debt Securities: State Bonds and Corporate Bonds of "A" grade or better \$ 1,423,168
US Government Securities or US Government Agency Securities \$ 5,073,958

Equity Securities: Mutual funds \$ 1,891,269

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

6. Other Financial Information: A description of other related material financial information of CEP's financial activities and operations that relate to its ability to repay the principal and

interest on its outstanding securities, including Notes, Partners Plus Church Certificates and other debt obligations when due, is as follows: CEP's ability to repay its obligations is largely dependent upon its ability to collect on the loans made to churches, which alone may not be sufficient to meet principal and interest requirements on its outstanding obligations. CEP does not maintain a sinking fund account for maturing securities or other debt obligations.

STATEMENT OF ACTIVITIES

	2017	2016	2015
Increase (Decrease) in Unrestricted Net Assets	\$ 1,296,345	\$ 1,757,519	\$ (1,781,158)
Interest Income	\$ 26,821,079	\$ 25,952,062	\$ 26,531,136
Increase (Decrease) in Interest Income	3.35%	-2.18%	-6.56%
Weighted Average of Loan Interest	5.57%	5.68%	5.97%
Interest Expense	\$ 18,573,979	\$ 19,428,293	\$ 20,131,470
Increase (Decrease) in Interest Expense	-4.40%	-3.49%	1.76%
Weighted Average of Note Interest	3.05%	3.24%	3.39%
Interest Spread Rate	2.52%	2.44%	2.58%
Operating Expenses	\$ 8,829,152	\$ 8,730,071	\$ 8,480,924
Percentage of Interest Income	32.92%	33.64%	31.97%
Increase in Temporarily Restricted Net Assets	\$ 75,894	\$ 54,484	\$ 64,357
Distribution to Member Districts	\$ -	\$ -	\$ 100,667

LENDING ACTIVITIES

Lending activities of CEP are described as follows:

1. The Nature and Types of Loans Receivable: Loans are made only to Assemblies of God churches and organizations. Loans are repayable generally over a 20- to 30-year period and are usually secured by a mortgage or a trust deed on the church's property. (See CHURCH LOANS)
2. Loan Policies: Because of the relationship between CEP and its borrowing churches, the loan policies are less stringent than those of commercial lenders. (See CHURCH LOANS)
3. Loans Outstanding: As of December 31, 2017, CEP had 808 loans outstanding with balances receivable aggregating \$505,148,565 as follows:

<u>Principal Loan Balance</u>	<u>Number of Loans</u>	<u>Principal Outstanding</u>	<u>Percent of Mortgages Receivable</u>
\$0 - \$500,000	569	\$ 97,395,864	19.3%
\$500,001 - \$1,000,000	104	67,625,835	13.4%
\$1,000,001 - \$2,000,000	81	98,270,423	19.5%
\$2,000,001 - \$5,000,000	41	120,632,661	23.9%
\$5,000,001 - \$10,000,000	10	74,122,320	14.7%
\$10,000,001 +	3	47,101,462	9.3%
	<u>808</u>	<u>\$ 505,148,565</u>	<u>100%</u>

The average interest rate as of December 31, 2017, was 5.57%. During 2017, interest earned on these mortgages was \$26,821,079 and the amount of principal returned was \$34,045,944.

The following table reflects approximate loan principal maturities due on CEP's loan portfolio during the periods indicated based on December 31, 2017, data:

Year Ending December 31	Principal Outstanding
2018	\$ 10,955,687
2019	11,311,594
2020	11,774,198
2021	12,276,567
2022	12,739,110
2023 and thereafter	446,091,409
	<u>\$ 505,148,565</u>

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

Subsequent to December 31, 2017, until February 28, 2018, the aggregate unpaid balance of loans decreased from \$505,148,565 to \$505,080,821.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Number of Loans	52	58	64
Loans three months delinquent	4	4	11
Four months delinquent	0	1	2
Five months delinquent	2	3	1
Six months delinquent	0	1	0
Seven + months delinquent including non-accrual	46	49	50
Total monthly interest payments delinquent:			
Dollar amount	\$ 461,075	\$ 298,973	\$ 246,166
Percentage of total loans receivable	0.09%	0.06%	0.05%
Total delinquent and non-accrual loans:	\$ 47,552,616	\$ 45,488,345	\$ 42,821,177

Subsequent to December 31, 2017, until February 28, 2018, there have been seven (7) loans added to the list of those three (3) months or more delinquent. The total of those seven (7) loans added is \$4,622,796. Subsequent to December 31, 2017, until February 28, 2018, there have been three (3) loans removed from the list of those three (3) months or more delinquent. The total of those three (3) loans removed is \$2,134,298.

5. Loan Losses: There were no material loan losses, those of \$250,000 or more, incurred by CEP during the prior two (2) fiscal years of 2017 and 2016. CEP did incur a material loan loss of \$513,283 for the fiscal year ending December 31, 2015. Following is a summary of CEP's allowance for credit losses and charges to the allowance for credit losses during each of the last three (3) fiscal years.

	2017	2016	2015
Allowance for credit losses			
Beginning of year	\$ 6,700,000	\$ 5,900,000	\$ 5,700,000
Add uncollectible receivables expense	420,932	918,049	883,264
Less loan losses/write-offs/adjustments	(20,932)	(118,049)	(683,264)
End of year	<u>\$ 7,100,000</u>	<u>\$ 6,700,000</u>	<u>\$ 5,900,000</u>
Allowance as a percentage of receivables	1.41%	1.35%	1.27%

INVESTING ACTIVITIES

Pending the use for loan activities, proceeds in the general funds may be invested. Such investments consist of Corporate Bonds and Government Securities and are included in the audited financial statements as investments.

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

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

The investment policy also requires diversification as follows:

1. No more than 25% of investment funds may be in any single institution other than the US Government and its Agencies.
2. No more than 50% of investment funds may be in any type of investment other than US Government and Agency securities.
3. As described in footnote 9 of the audited financial statements, CEP is required to hold funds in a separate account to act as a reserve for its gift annuities. These funds have a separate investment policy adopted by the board of directors. That investment policy allows for a wide range of investments. The total cash and investments held in the separate accounts were \$661,600 in 2017, \$635,151 in 2016 and \$609,834 in 2015.

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

Investment Type	2017		2016		2015	
Certificates of Deposit	\$ 2,169,507	21%	\$ 7,619,624	38%	\$ 8,060,393	47%
US Government Securities	5,073,958	48%	7,460,468	38%	4,241,306	25%
State and Corporate Bonds	1,423,168	13%	2,415,765	12%	2,123,258	12%
Mutual Funds	1,891,269	18%	2,373,948	12%	2,761,046	16%
Total	<u>\$ 10,557,902</u>	<u>100%</u>	<u>\$ 19,869,805</u>	<u>100%</u>	<u>\$ 17,186,003</u>	<u>100%</u>
Investment Gains (Losses)	\$ (68,096)		\$ 28,559		\$ (71,541)	

SELECTED FINANCIAL DATA

The table below presents certain selected financial data with respect to CEP and its operations for the most recent five (5) years. Management has compiled this data from CEP's audited

financial statements, and it should be read in conjunction with CEP's current audited financial statements including the accompanying footnotes, which begin on page 41.

	2017	2016	2015	2014	2013
Cash and liquid reserves	\$ 37,239,066	\$ 36,458,603	\$ 60,812,992	\$ 42,938,948	\$ 36,515,335
Mortgages receivable					
Secured	\$ 503,613,729	\$ 494,617,925	\$ 456,637,125	\$ 464,148,541	\$ 455,255,254
Unsecured	1,534,836	1,672,347	1,660,679	1,695,593	2,161,158
% of Mortgages receivable not secured	0.3%	0.3%	0.4%	0.4%	0.5%
Allowance for loan losses	\$ 7,100,000	\$ 6,700,000	\$ 5,900,000	\$ 5,700,000	\$ 5,325,000
% - Allowance to mortgages	1.41%	1.35%	1.29%	1.22%	1.16%
Certificates receivable					
Total certificates receivable	\$ 106,133	\$ 239,094	\$ 1,278,374	\$ 2,357,527	\$ 3,342,027
Less: discount for imputed interest	(10,259)	(21,689)	(129,249)	(239,047)	(343,700)
Certificate net of discount	<u>\$ 95,874</u>	<u>\$ 217,405</u>	<u>\$ 1,149,125</u>	<u>\$ 2,118,480</u>	<u>\$ 2,998,327</u>
Allowance for credit losses	\$ 25,000	\$ 25,000	\$ 125,000	\$ 175,000	\$ 428,000
% - Allowance to certificates receivable	26.1%	11.5%	10.9%	8.3%	14.3%
Total Assets at December 31	\$ 577,799,621	\$ 565,318,771	\$ 553,546,953	\$ 531,622,254	\$ 517,568,015
Outstanding debt:					
Certificates	\$ 41,370,118	\$ 41,428,797	\$ 42,625,738	\$ 43,519,778	\$ 41,786,759
Notes - unsecured	505,644,127	504,505,739	493,149,759	468,634,333	457,303,067
Notes - secured	-	-	-	-	-
Gift annuities and unitrust obligations	557,654	582,897	587,112	585,941	606,914
Net Assets, unrestricted	\$ 17,674,538	\$ 16,378,193	\$ 14,620,674	\$ 16,502,499	\$ 15,397,212
Net Assets, temporarily restricted	\$ 194,735	\$ 118,841	\$ 64,357	\$ -	\$ -
Increase (decrease) in net total assets	\$ 1,372,239	\$ 1,812,003	\$ (1,716,801)	\$ 1,213,801	\$ 1,180,907
Distribution to Member Districts	\$ -	\$ -	\$ 100,667	\$ 108,514	\$ -
Financial ratios					
Cash and liquid reserves to total debt	6.80%	6.67%	11.34%	8.37%	7.31%
Debt as a percentage of total assets	94.77%	96.67%	96.90%	96.45%	96.55%
Net assets as a percentage of total assets	3.09%	2.92%	2.65%	3.10%	2.97%

ANALYSIS OF SELECTED FINANCIAL DATA

1. Liquid Assets: CEP maintains liquid reserves in order to meet future anticipated cash requirements including the funding of new loans, the repayment of Notes and Partners Plus Church Certificates, and operating expenses. In addition to CEP's cash reserves and liquid assets, CEP maintains a \$12 million line of credit with Umpqua Bank. At December 31, 2017, \$10 million was drawn on the line. No amounts were drawn on the line as of December 31, 2016 and 2015. The North American Securities Administrators Association, Inc. (NASAA) statement of policy guideline provides for available lines of credit, not exceeding 2% of investment obligations, in determining liquidity status. CEP's cash reserves, liquid assets and available line of credit as a percentage of its total investment obligations was 7.2%, 8.7% and 13.3% as of December 31, 2017, 2016 and 2015, respectively. These percentages include 0.4%, 2.0% and 2.0% from its available line of credit at December 31, 2017, 2016 and 2015, respectively.

2. Mortgage Growth: CEP's net mortgage loan balance as of December 31, 2017, was \$498,048,565 which is a 1.73% increase from December 31, 2016. At December 31, 2016, the net mortgage balance was \$489,590,272, which is an increase of 8.22% from the December 31, 2015, net balance of \$452,397,804. CEP's net mortgage balance has increased by \$67,885,702 over the last five (5) years.

3. Sources of Funds: CEP's primary sources of funds are the Partners Plus Church Certificates and Vision Unsecured Promissory Notes. CEP's outstanding debt has increased by 2.03% in 2017, 1.9% in 2016, and 4.6% in 2015 respectively. CEP's outstanding debt has increased by \$65,065,935 over the last five (5) years.

4. Net Assets: As of December 31, 2017, net assets as a percentage of total assets (capitalization) were 3.09%. This represents an increase from the December 31, 2016, capitalization rate of 2.92%. The capitalization rate as of December 31, 2015, was 2.65%. CEP's goal is to increase its capitalization to five percent (5%). The steps to be taken include, but are not limited to, the following:

- a. Reduction of overhead expense ratios.
- b. Increased profitability through the loan portfolio (re-pricing of ARM loans estimated at \$115 million in 2018).
- c. Continued aggressive marketing for sale of Other Real Estate Owned.
- d. Fundraising commitments and gifts to New Growth Partners, a donor-based activity aimed at providing facilities to new ministries.
- e. Consideration for the sale of the corporate office facility in order to recognize the sizable gain on this investment.
- f. Expected growth of additional revenue sources and other consulting services.
- g. Adjustment of interest rates paid on Notes.

VISION UNSECURED PROMISSORY NOTES

CEP's primary purpose is to provide loans to Assemblies of God churches. Partners Plus Church Certificates (described in a separate offering circular) are purchased in support of a specific loan to a local church, and each Certificate is pledged as additional security for the loan. Since most church loans exceed the amount of the proceeds from the sale of Certificates, CEP raises additional funds through the issuance of CEP's Vision Unsecured Promissory Note offering as described in this Offering Circular. This Offering Circular relates only to Vision Unsecured Promissory Notes.

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

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

3. Senior Secured Indebtedness: Notes are of the same rank and priority as CEP's other debt securities. The NASAA statement of policy guideline provides that senior secured indebtedness shall not exceed 10% of the tangible assets. CEP had no senior secured indebtedness as of December 31, 2017, 2016 or 2015.

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

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

As of December 31, 2017, CEP had no securitized loans.

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

Notes may be renewed at maturity. Each investor will be provided written notification of the maturity and proposed renewal at least 30 days prior to maturity. CEP's current Offering Circular and rate chart is available to each investor upon inquiry and annually in May to current investors. If the investor does not notify CEP in writing, on or before the maturity, of the election not to renew the Note, the Note will be renewed for the same period of time as the preceding term. Interest rates offered vary according to market conditions, the amount invested, the length of time of the investment, whether the rate is variable or fixed, and the amount of penalty for early withdrawal. Certain Notes allow for the ability to access funds, penalty free, with a 30-day advance written notice. These Notes typically carry a lower interest rate than Notes subject to an early withdrawal penalty. Investors should assume that the Notes will be held to maturity. Interest rates as of March 1, 2018, range from .75% to 3.5%. For information on the latest rates available, please call CEP at the telephone number shown on the first page of this Offering Circular or go to www.cepnet.com. Notes have a minimum rate of not less than .5%. For new Notes, CEP reserves the right to change the rate of interest offered, and/or the terms and conditions of Notes, from time to time.

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

7. General Fund: The proceeds from the Notes are deposited to the general fund from which CEP pays for operating expenses and carries out its purpose of making loans to Assemblies of God churches and organizations.

8. Potential Forfeiture: If one or more substantial church loans or a number of smaller church loans became delinquent and it became necessary to foreclose on the related properties, or if such

loan(s) were not secured, the proceeds, if any, may be insufficient to pay all of the debt owed by CEP. Secured creditors, including those that have mortgages, deeds of trust or other pledges of security, would have priority over the unsecured general obligations of CEP, which includes the Notes described in this Offering Circular.

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

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

11. CEP's Ability to Repay: CEP's ability to repay the Notes at maturity is dependent upon the financial success of the individual churches to which CEP makes loans, which alone may not be sufficient to meet principal and interest requirements on its outstanding obligations, including the securities described in this Offering Circular and Partners Plus Church Certificates described in a separate Offering Circular.

CHURCH LOANS

1. Payments, Interest Rates and Security: Church loans are repayable to CEP in monthly installments of principal and interest, generally over a 20 to 30 year period. Loans are offered at variable rates. Variable rates call for adjustments in three (3) or five (5) years. Interest rates on church loans are subject to CEP's cost of money. Most church loans are secured by a mortgage or trust deed on the church property and a pledge of the related Partners Plus Church Certificates.

2. Loan Procedures: Loan applications are reviewed by CEP's Loan Committee, taking into consideration the following three general guidelines: (1) the amount of the loan generally is not more than 65% of the estimated value of the church property being pledged as security, (2) the purchase of Partners Plus Church Certificates equal to a minimum percentage of the requested church loan, and (3) generally the loan payment does not exceed 30% of the churches annualized general fund income. In those instances, where the church loan is secured by a second rather than a first mortgage or trust deed, the maximum loan that a church generally may qualify for is determined by the following guideline: the total amount of the first and second mortgages or deeds of trust combined may not exceed 50% of the estimated value of the related church property.

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

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

5. Summary of Church Loans: Since the inception of the Partners Plus Church Certificate offering in 1950, CEP has financed more than 2,400 churches. As of December 31, 2017, CEP had 808 outstanding church loans.

6. Unsecured Loans: CEP's unsecured loans will not exceed more than 10% as provided in the NASAA statement of policy guideline. As of December 31, 2017, CEP's unsecured loans were less than one percent (1%) of its loan portfolio.

PLAN OF DISTRIBUTION

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

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

3. General Fund: Proceeds from Notes are deposited to the general fund from which CEP pays for operating expenses and carries out its purpose of making loans to Assemblies of God churches.

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

TAX ASPECTS

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

LITIGATION & OTHER MATERIAL TRANSACTIONS

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

SECURITY

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

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

a. Foreclosure: Foreclosure of a mortgage or trust deed may be accomplished by judicial action; however, in most jurisdictions, foreclosure of a trust deed is generally accomplished

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

b. Rights of Redemption: In California, where a large percentage of CEP's loans have been made, as well as in Oregon and other jurisdictions, the borrower and certain foreclosed junior lien holders are given a statutory right of redemption following a judicial foreclosure sale, but not following a non-judicial foreclosure sale. This right of redemption diminishes the ability of the lender to sell the foreclosed property. The exercise of a right of redemption would defeat the title of any purchaser at a judicial foreclosure sale or of any purchaser from the lender subsequent to judicial foreclosure. Consequently, the practical effect of the redemption right is to force the lender to maintain the property and pay the expenses of ownership until the redemption period has expired. This is the primary reason that most foreclosures of trust deeds are non-judicial.

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

MANAGEMENT

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

1. Direct/Indirect Remuneration to Administrative Officers and Directors: The administrative officers consist of the president, one (1) senior vice president, one (1) vice president, two (2) assistant secretaries and one (1) assistant treasurer. Remuneration for 2017, which includes salaries and applicable fringe benefits such as housing allowances, health and other insurance benefits, retirement plan contributions, and bonuses, was as follows:

President:	\$255,585
Administrative Senior and Vice Presidents:	\$297,043
Assistant Secretaries and Treasurer:	\$175,764

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

Board Expenses for 2017 totaled: \$72,020

2. Material Employment Information: There are no material employment contracts, perquisites of employment, or conflicts of interest of CEP's officers, directors, or persons having authority.

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

EXECUTIVE OFFICERS

Peter F. Clements, President
4070 27th Court SE, Suite 210, Salem, OR 97302

- Employed by CEP since 1995 and elected President in 2017. The term of office is four (4) years or until the successor to the President is elected and qualifies. Current term expires December 2020.
- Chief Financial Officer since 2006
- Vice President of Technology since 1999
- Master of Business Administration in Technology Management, University of Phoenix 1999
- Database Management Specialist, Nike, Inc., Beaverton, OR
- Corporate Computing Coordinator, CH2M Hill, Corvallis, OR
- Bachelor of Science in Business Administration, Oregon State University 1994

Stephen L. Harris, Director, Chairman of Board of Directors
2601 E Thomas Road, Suite 210, Phoenix, AZ 85016

- Director since 2004
- Chairman of the Board/Executive Officer of CEP since 2017. Elected for a period of three (3) years.
- Superintendent of the Arizona Ministry Network since 1999
- Bachelor of Arts in Bible, Central Bible College 1972
- Licensed to preach by Oklahoma District 1974
- Ordained in Rocky Mountain District 1976
- Pastoral Ministry 1976 – 1985
- Presbyter of the Northeast Section 1981 – 1985
- Executive Presbyter Board, North Area Executive Presbyter 1985
- Assistant Superintendent, Arizona District Council 1995 – 1999

- Board Member, American Indian College; Southwestern Assemblies of God College; Teen Challenge Arizona, Inc.; Vanguard University and Corban University.

Terrell R. Raburn, Director, Secretary
1437 E. Memorial Blvd, Lakeland, FL 33801

- Director since 1999
- Secretary/Executive Officer of CEP since 2016. Elected for a period of three (3) years.
- Superintendent of the Peninsular Florida District Council since 1996
- BS in Political & Social Sciences, University of Alabama, Birmingham, AL
- Ordained Minister 1972
- District Youth Director 1981 – 1985
- National Youth Director 1985 – 1990
- National Church Director 1990 – 1996
- Director of Home Missions

William E. Wilson, Director, Treasurer
9250 Charity Avenue NE, Salem, OR 97305

- Director/Superintendent of the Oregon Ministry Network since 2007
- Treasurer/Executive Officer of CEP since 2012. Elected for a period of three (3) years.
- Pastoral ministry 1972 – 2007
- Ordained 1975
- Bachelor of Science, Bethany Bible College 1973
- Masters in Missional Leadership, Northwest University 2014
- Network Presbyter
- General Presbyter, General Council of the Assemblies of God
- Current and past boards served on: Northwest University, Vanguard University, Oregon World Missions, Oregon NAE, AG COCHE, We Care Oregon, AGWM

BOARD OF DIRECTORS

Bret L. Allen, Director
6051 S. Watt Avenue, Sacramento, CA 95829

- Director/Superintendent of Northern California/Nevada District Council since 2016
- Senior Pastor, Bethel Church, San Jose, CA
- Pastoral Ministry began in 1986

Manuel A. Alvarez, Director
213 Old Tappan Road, Old Tappan, NJ 07675

- Director/Superintendent of Spanish Eastern District Council since 2013
- Senior Pastor, First Spanish Assemblies of God, 19 years
- Pastor of Pentecostal Church Antioquia, 1989-1994
- District Youth Director, Presbyter of the Pennsylvania Section and General Presbyter
- Graduated from Hunter College, Bachelor of Arts in Music and Masters Degree in Counseling
- Professor at Hunter College, also taught in the Spanish Eastern School of Theology
- Secretary of the Board of Directors of Valley Forge Christian College, 2003

- Served in the Board of Southeast Medical Health Center, Lancaster, PA
- Principal of the Spanish Eastern Bible Institute
- Dean of the Spanish Eastern School of Theology
- Presently serving on the Board of Northpoint College, Missions World Regional Conference and Spanish Eastern School of Theology

H. Franklin Cargill, Director

8701 North Kelley, Oklahoma City, OK 73113

- Director/Superintendent of the Oklahoma District Council since 2000
- Bachelor of Arts in Music Education, Oklahoma State University
- Masters in Education, University of Central Oklahoma
- Pastoral Ministry, 18 years in Oklahoma District Council
- Credentialed minister in Oklahoma District Council, 35 years: Exhorter's Permit 1969, Licensed minister 1971, Ordained 1972
- Oklahoma District Youth Director, 7 years
- Oklahoma District Assistant Superintendent, 17 years
- Presbyterian, General Council of the Assemblies of God
- Serves on Board of Regents, Southwestern Assembly of God University, Waxahachie, TX
- Serves on Board of Regents, American Indian College, Phoenix, AZ
- Serves on Board of the Hillcrest Children's Home, Hot Springs, AR

Mark Dean, Director

1315 Portland Avenue South, Minneapolis, MN 55404

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

Ivan de la Torre, Director

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

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

Doyle A. Fulkes, Director

711 Lone Star Road, Nampa, ID 83651

- Director since 2004
- Superintendent of the Southern Idaho Ministry Network since 2001
- Bachelor of Science in Christian Ministry, Southwestern University, Waxahachie, TX 1973
- Masters Degree in Organizational Leadership, George Fox University 2005
- Pastoral Ministry in Idaho District, 28 years
- District Youth Director, Idaho District Council, one (1) year
- District Secretary, Idaho District Council, 11 years

Jesse L. Galindo, Director

6051 South Watt Avenue, Sacramento, CA 95829

- Director/Superintendent of North Pacific Latin American District since 2014
- Bethany Bible College Degree Assemblies of God, Tijuana, Mexico 1971-73
- Trinity Bible College, Assemblies of God 1979-1980
- Pastoral Ministry in California 1986-2005
- Missionary Builder in El Salvador, Guatemala, Mexico, Honduras, Nicaragua and Costa Rica 2003-Present
- Assistant Superintendent of North Pacific District Latin American District 2005-2006
- Secretary Treasurer of North Pacific District Latin American District 2006-2014

Donald G. Gifford, Director

8750 Purdue Road, Indianapolis, IN 46268

- Director/Superintendent of the Indiana District Council since 2004
- Bachelor of Arts in Pastoral Studies from North Central University, Minneapolis, MN
- Masters in Biblical Literature from Assemblies of God Theological Seminary
- Ordained in the Indiana District Council 1978
- Pastoral Ministry in Indiana and Wisconsin 1974 – 2003
- Assistant Superintendent of the Indiana District Council 1992 – 2003

Richard M. Guerra, Director

17951 Cowan Street, Irvine, CA 92614

- Director/Superintendent of SoCal Network Assemblies of God since 2010
- Senior Pastor of Visalia First Assembly of God for 12 years
- Senior Pastor of Trinity Life Center 1990-1995
- Singles Pastor for Capital Christian Center in Sacramento, CA
- Youth Ministries Director for the Southern California District in 1984
- Bachelor of Arts in Biblical Studies and went on to complete Masters of Arts program in Church Leadership at Vanguard University of Southern California

Jeff Hlavin, Director

31500 West 13 Mile Road, Suite 140, Farmington Hills, MI 48334

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

Scott Holmes, Director

2717 North MacArthur Drive, Alexandria, LA 71303

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

Thomas M. Jacobs, Director

10525 Buena Vista Court, Urbandale, IA 50322

- Director/Superintendent of the Iowa Ministry Network since 2007
- Pastoral ministry since 1980
- Graduate from Oral Roberts University 1980
- Director/Founder of Iowa Ministry Groups to the senior pastors of Iowa
- Executive Presbyter from 2000 – 2007
- Sectional Presbyter from 1994 – 2000
- Chairman and/or member of several district committees

Klayton Ko, Director

3400 Moanalua Road, Honolulu, HI 96819

- Director/Superintendent of the Hawaii District Council since 2014
- Senior Pastor of First Assembly of God
- Member of Hawaii Pastors Roundtable
- Serves on the Board of Convoy of Hope
- Chairman of the Advisory Board of Christian Academy Schools
- Planted churches in Hawaii and 11 others around the world

Clemente Maldonado, Jr., Director

2001 Midwest Road, Suite 307, Oakbrook, IL 60523

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

Dennis W. Marquardt, Director

501 Riverside Street, Portland, ME 04103

- Director/Superintendent of the Northern New England District Council since 2002

- Assistant Superintendent of the Northern New England District Council 1997 – 2002
- Masters of Arts in Christian Ministry, Assemblies of God Theological Seminary 2017 (*Magna Cum Laude*)
- Bachelor of Arts in Bible, Central Bible College, Springfield MO 1974
- Pastoral Ministry, 28 years
- Member, College Board of Trustees, University of Valley Forge 1999 – current
- Member and Vice-Chair, College Board of Trustees, Northpoint Bible College and Graduate School 2002 – current
- Member, National Assemblies of God USA Missions Board, 2006 – 2008 and 2009 – 2010

Sergio Navarrete, Director

614 S Fifth Avenue, La Puente, CA 91746

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

Gilbert Daniel Olivarez, Director

71510 Sherman Street, Denver, CO 80221

- Director/Superintendent of the Central District Council since 2017
- Assistant Superintendent of Central District Council since 2009
- Christian Life School of Theology, Master of Theology, 2005
- Southwestern Assembly of God University, Bachelor of Arts in Christian Education 1977
- Pastoral Ministry began in 1977

Phillip B. Schneider, Director

17280 Lakeside Drive, Carlinville, IL 62626

- Director/Superintendent of the Illinois District Council since 2012
- General Presbyter, General Council of the Assemblies of God, 2011
- Executive Presbyter, Southern Region, 2008
- Presbyter, Metro North Section, 2000
- Pastor, Cornerstone Assembly of God, Bethalto, IL 1990-2012
- Served the Illinois District since 1980
- Illinois Youth Camps, 30 years
- St. Louis Metro Harvest Evangelism Committee (past President/current member)

- Bachelor of Arts in Bible, Central Bible College, Springfield, MO
- Board Member, Teen Challenge Illinois
- Board of Regents, North Central University, Minneapolis, MN
- Board of Regents, Trinity Bible College, Ellendale, ND

Donald H. Steiger, Director

6295 Lehman Drive, Suite 202, Colorado Springs, CO 80918

- Director/Superintendent of the Rocky Mountain Ministry Network since 2008
- Assistant Superintendent of the Rocky Mountain District Council 1999 – 2001
- Pastoral Ministry 1971 – 2008
- Ordained Minister 1976
- Associates Degree in Bible, Berean College 1975
- Bachelor of Science in Electrical Engineering, University of Colorado 1970
- Sectional Presbyter, Rocky Mountain District Council of the Assemblies of God
- Executive Presbyter, Rocky Mountain District Council of the Assemblies of God
- General Presbyter, General Council of the Assemblies of God
- Current and past boards served on: Colorado Teen Challenge, Bethesda Ministries, Gospel of Glory, Assemblies of God World Missions

Alan E. Warneke, Director

2147 Overland Avenue, Suite 100, Billings, MT 59102

- Director/Superintendent of the Montana Ministry Network since 2007
- Pastoral Ministry 1967 – 2007
- Ordained 1971
- Degree in Pastoral Ministry, Trinity Bible College, Ellendale, ND 1968
- Northwest University Executive Board; Montana Home & World Missions Board

Roy W. Welch III, Director

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

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

Robert Wise Jr., Director

307 Sturbridge Road, Charlton, MA 01566

- Director/Superintendent of the Southern New England Ministry Network since 2007
- Assistant Superintendent of the Southern New England District Council 1992 – 1995
- Pastoral ministry 1965 – 2007
- Bachelor of Theology, Northeastern Bible College (now known as University of Valley Forge) 1965

- Director of Church Ministries, Southern New England District 1977 – 1988
- Southeastern Massachusetts Sectional Home Missions Committee
- Presbyterian of the Southeastern Massachusetts Section
- General Presbyter, General Council of the Assemblies of God

INVESTMENTS BY OFFICERS & DIRECTORS

As of December 31, 2017, Officers and Directors of CEP had investments with CEP totaling \$3,348,313; member and non-member Districts had investments totaling \$43,347,215, for a total of \$46,695,528.

FINANCIAL STATEMENTS

CEP's most recent audited financial statements are available to investors within 120 days of its most recent fiscal year-end. The audited financial statements are available upon request, or at www.cepnet.com.

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

AUDITORS

The financial statements included in this Offering Circular have been audited by Aldrich CPAs & Advisors LLP whose report is found beginning on page 41.

UNDERWRITING

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

LEGAL MATTERS

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

ADMINISTRATIVE MATTERS

1. Additional Information: This Offering Circular does not contain all the information set forth in the registration or notice statements filed by CEP with the various State Securities Divisions. That additional information may be inspected without charge by any person during normal working hours at the Offices of the various State Securities Divisions.

2. Exempt from Federal Registration: The offer and sale of these securities have not been registered with the Securities and Exchange Commission in reliance on the exemption from registration contained in Section 3(a)(4) of the Securities Act of 1933, as amended.

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Financial Statements

DECEMBER 31, 2017, 2016 and 2015

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

INDEPENDENT AUDITORS' REPORT

Board of Directors
Church Extension Plan
Salem, Oregon

We have audited the accompanying financial statements of Church Extension Plan (the Ministry, a nonprofit corporation), which comprise the statements of financial position as of December 31, 2017, 2016, and 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In September 2017, Hurricanes Maria and Irma struck the island of Puerto Rico. The Ministry has delinquent loans and other real estate owned in Puerto Rico, totaling approximately \$18,100,000. We were unable to obtain sufficient audit evidence about the property values to support the other real estate owned and the underlying investments related to the mortgages receivable, stated at approximately \$6,900,000 and \$11,200,000, respectively in the accompanying statements of financial position. See Notes 1, 5 and 8 for more detailed discussion of these assets.

Qualified Opinion

In our opinion, except for the potential effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Church Extension Plan as of December 31, 2017, 2016, and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NASAA Statement of Policy Guidelines

As discussed in Note 22 to the financial statements, at December 31, 2017, 2016 and 2015, the Ministry did not meet two of the guidelines established by the North American Securities Administrators Association, Inc. (NASAA). The Ministry does not anticipate significant changes to its ability to sell or renew notes or certificates in the applicable states.

Aldrich CPAs + Advisors LLP

Salem, Oregon
March 22, 2018

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Statements of Financial Position

December 31, 2017, 2016, and 2015

	2017	2016	2015
<u>Assets</u>			
Cash and cash equivalents	\$ 26,544,885	\$ 16,460,541	\$ 43,500,189
Investments and unitrust assets	10,694,181	19,998,062	17,312,803
Receivables:			
Interest and other receivables	4,065,111	3,866,076	3,809,401
Certificates, net	70,874	192,405	1,024,125
Church loans unsecured	1,534,836	1,672,347	1,660,679
Mortgage notes, net	496,513,729	487,917,925	450,737,125
	<u>502,184,550</u>	<u>493,648,753</u>	<u>457,231,330</u>
Other assets	179,731	85,237	304,276
Property and equipment, net	4,920,512	3,683,501	3,777,258
Other rental property, net	5,366,082	5,485,525	5,604,968
Other real estate owned (OREO), net	27,909,680	25,957,152	25,816,129
	<u>\$ 577,799,621</u>	<u>\$ 565,318,771</u>	<u>\$ 553,546,953</u>
<u>Liabilities</u>			
Accounts, interest and other payables	\$ 1,446,101	\$ 1,423,290	\$ 1,648,559
Revolving line of credit	10,000,000	-	-
Notes and certificates payable:			
Unsecured:			
Notes	505,644,127	504,505,739	493,149,759
Certificates	41,370,118	41,428,797	42,625,738
Total notes and certificates payable	<u>547,014,245</u>	<u>545,934,536</u>	<u>535,775,497</u>
Gift annuities and unitrust obligations	557,654	582,897	587,112
Deferred compensation	912,348	881,014	850,754
Total liabilities	<u>559,930,348</u>	<u>548,821,737</u>	<u>538,861,922</u>
<u>Net Assets</u>			
Unrestricted	17,674,538	16,378,193	14,620,674
Temporarily restricted	194,735	118,841	64,357
Total net assets	<u>17,869,273</u>	<u>16,497,034</u>	<u>14,685,031</u>
	<u>\$ 577,799,621</u>	<u>\$ 565,318,771</u>	<u>\$ 553,546,953</u>

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

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Statements of Activities

For the Years Ended December 31, 2017, 2016, and 2015

	2017	
	Amount	%
Changes in Unrestricted Net Assets:		
Interest Income:		
Interest revenue, loans	\$ 26,821,079	100.00%
Less interest expense	18,573,979	69.25%
Net interest income	8,247,100	30.75%
Uncollectible Receivables Expense	420,932	1.57%
Interest income after uncollectible receivables expense	7,826,168	29.18%
Other Operating Income:		
Investment revenue	309,569	1.15%
Certificate revenue	14,550	0.05%
Contributions	547,375	2.04%
Other revenue	1,427,835	5.32%
Total other operating income	2,299,329	8.56%
Operating Expenses:		
Salaries	3,212,768	11.98%
Payroll taxes and personnel expenses	1,220,215	4.55%
Occupancy expense and supplies	887,499	3.31%
Professional fees	811,442	3.03%
Travel, lodging and related expenses	681,138	2.54%
Advertising and promotion	671,536	2.50%
OREO expenses	547,558	2.04%
Directors' expenses	72,020	0.27%
Insurance, licenses, taxes and other	724,976	2.70%
Total operating expenses	8,829,152	32.92%
Increase (decrease) in unrestricted net assets	1,296,345	4.82%
Changes in Temporarily Restricted Net Assets:		
Contributions	75,894	
Increase in temporarily restricted net assets	75,894	
Increase (decrease) in net assets	1,372,239	
Net assets, beginning	16,497,034	
Distribution	-	
Net assets, ending	\$ 17,869,273	

2016		2015	
Amount	%	Amount	%
\$ 25,952,062	100.00%	\$ 26,531,136	100.00%
19,428,293	74.86%	20,131,470	75.88%
6,523,769	25.14%	6,399,666	24.12%
818,049	3.15%	837,528	3.16%
5,705,720	21.99%	5,562,138	20.96%
298,132	1.15%	161,113	0.61%
18,419	0.07%	12,183	0.05%
1,651,530	6.36%	13,922	0.05%
2,813,789	10.84%	950,410	3.58%
4,781,870	18.42%	1,137,628	4.29%
3,677,959	14.17%	3,782,017	14.26%
1,545,872	5.96%	1,460,291	5.50%
887,253	3.42%	801,105	3.02%
572,083	2.20%	508,769	1.92%
480,348	1.85%	406,087	1.53%
419,500	1.62%	540,180	2.04%
867,424	3.34%	715,216	2.70%
108,441	0.42%	96,684	0.36%
171,191	0.66%	170,575	0.64%
8,730,071	33.64%	8,480,924	31.97%
1,757,519	6.77%	(1,781,158)	-6.72%
54,484		64,357	
54,484		64,357	
1,812,003		(1,716,801)	
14,685,031		16,502,499	
-		100,667	
\$ 16,497,034		\$ 14,685,031	

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

Statements of Cash Flows

For the Years Ended December 31, 2017, 2016, and 2015

	2017	2016	2015
Cash flows from operating activities:			
Increase (decrease) in net assets	\$ 1,372,239	\$ 1,812,003	\$ (1,716,801)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Depreciation	388,836	397,464	263,070
Uncollectible receivable expense	462,044	812,042	837,528
Net certificate revenue	(14,550)	(18,270)	(12,183)
Certificate amortization	2,936,162	3,064,797	3,173,867
Compounded interest	11,538,570	12,365,738	12,814,607
(Gain) loss on investments	(87,035)	27,182	71,541
Adjustments to OREOs	138,935	785,980	519,121
Loss on disposal of equipment	66,420	46,353	-
Contributions of notes payable	-	(1,651,530)	-
Gain on redemption of certificates	(305,905)	(1,616,506)	(59,244)
(Increase) decrease in operating assets:			
Receivables	(1,439,052)	(1,114,571)	(502,067)
Other assets	(94,494)	219,038	(47,207)
Increase (decrease) in operating liabilities:			
Payables	2,561	(317,069)	62,354
Total adjustments	13,592,492	13,000,648	17,121,387
Net cash provided by operating activities	14,964,731	14,812,651	15,404,586
Cash flows from investing activities:			
Purchases of property and equipment	(1,387,169)	(76,047)	(21,891)
Principal collected on certificates receivable	259,431	882,529	966,121
Cash received from sale of OREOs	-	1,842,972	-
Improvements to OREOs	(10,650)	-	(2,315)
Mortgage fundings	(44,011,897)	(79,686,110)	(54,811,190)
Principal collected on mortgages	34,045,944	39,676,367	48,704,281
Purchases of investments	(11,042,432)	(9,911,811)	(5,194,670)
Proceeds from sale of investments	20,422,431	7,193,939	3,789,272
Net cash used by investing activities	(1,724,342)	(40,078,161)	(6,570,392)

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

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

For the Years Ended December 31, 2017, 2016, and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash flows from financing activities:			
Proceeds from borrowings	\$ 60,914,681	\$ 61,905,810	\$ 65,225,679
Proceeds from borrowings on line of credit	10,000,000	-	-
Principal payments on borrowings	(71,251,633)	(61,186,331)	(53,472,999)
Proceeds from issuance of annuities	-	-	30,000
Repayments on annuities and unitrusts, net	(46,222)	(46,230)	(46,230)
Distribution to member districts	-	-	(100,667)
Payments on certificates payable	<u>(2,772,871)</u>	<u>(2,447,387)</u>	<u>(3,919,337)</u>
Net cash provided (used) by financing activities	<u>(3,156,045)</u>	<u>(1,774,138)</u>	<u>7,716,446</u>
Net increase (decrease) in cash	10,084,344	(27,039,648)	16,550,640
Cash and cash equivalents, beginning	<u>16,460,541</u>	<u>43,500,189</u>	<u>26,949,549</u>
Cash and cash equivalents, ending	<u>\$ 26,544,885</u>	<u>\$ 16,460,541</u>	<u>\$ 43,500,189</u>
Cash paid during year for interest	<u>\$ 4,099,247</u>	<u>\$ 3,997,758</u>	<u>\$ 4,196,504</u>

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

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Notes to Financial Statements

December 31, 2017, 2016, and 2015

(1) Summary of Significant Accounting Policies

Organization and Nature of Activities

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

The Ministry's primary source of revenue is interest income generated from its mortgage lending program, Partners Plus. The mortgage lending program is available to Assemblies of God districts, churches and related organizations throughout the United States of America and Puerto Rico. Funding for the mortgage lending program comes from the sale of promissory notes as described in Note 11, as well as from the sales of 20-year church certificates (see Notes 3, 12, and 13). Funding for The Ministry's New Growth Partners program is derived from donations.

Church Extension Plan has successfully assisted more than 2,500 Assemblies of God ministries.

Natural Disaster

The Ministry has mortgages receivable and Other Real Estate Owned in Puerto Rico dating back to 1999. In September 2017 hurricanes Irma and Maria made landfall in Puerto Rico. In response to these hurricanes, The Ministry launched the Teen Challenge Puerto Rico Fundraising Revitalization Campaign in 2017. The Ministry raised \$877,000 in 2017 as part of a \$2,500,000 campaign for the benefit of Teen Challenge Puerto Rico. This annual campaign will provide supplemental revenue to help Teen Challenge Puerto Rico with repairs and operations.

Included in the OREO balance at December 31, 2017, is approximately \$7,000,000 of properties owned by The Ministry in Puerto Rico (\$6,500,000 at December 31, 2016 and 2015). The Ministry had their three properties assessed for damage resulting from the hurricanes and reported minimal damage. One of the properties has maintained day-to-day operations in order to meet the ministry needs of Teen Challenge Puerto Rico. The Ministry is also exploring alternative uses for the properties.

Cash and Cash Equivalents

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

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

The Ministry maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The amount of cash and cash equivalents The Ministry had in excess of insured amounts was \$26.4 million at December 31, 2017; \$16.0 million at December 31, 2016; and \$43.3 million at December 31, 2015. The Ministry has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Notes to Financial Statements

December 31, 2017, 2016, and 2015

(1) Summary of Significant Accounting Policies (continued)

Certificate Revenue Recognition

Certificates generally sell for \$1,000, but prices range from \$500 to \$5,000. The purchase price of the certificate may be paid over 50 months with no interest. Since no interest is charged on financing certificates, the related receivable is discounted to the estimated present value. In 2017, 2016 and 2015, the estimated present value of the certificates receivable was based on discount rate of 3.0%.

The certificates mature in 20 years at 150% of the original purchase price. At the time of sale, the maturity value is discounted to an estimated present value which is recorded as a liability. For 2017, 2016, and 2015, the estimated present value of the certificate maturity was based on a discount rate of 3.0%.

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

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

Certificates Receivable and Allowance for Credit Losses

Certificates receivable are stated at the amount of unpaid principal, reduced by a discount for imputed interest and an allowance for credit losses. The allowance for credit losses is established through a charge to the uncollectible receivables expense. Certificates, net of their net certificate liability, are charged against the allowance for credit losses when management believes that the collectability of the certificate is unlikely.

The allowance for credit losses is an amount that management believes will be adequate to absorb possible losses on existing certificates based on evaluations of the collectability of the certificate, prior losses on certificates and excess of the corresponding net certificate liability. Management analyzes the adequacy of the allowance on an individual basis for certificates 120 or more days past due and on a collective basis for all other certificates.

Mortgages Receivable and Allowance for Credit Losses

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

Notes to Financial Statements

December 31, 2017, 2016, and 2015

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

Mortgages Receivable and Allowance for Credit Losses, continued

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

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

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

Other Assets

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

Property and Equipment and Depreciation

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

Other Rental Property

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

Notes to Financial Statements

December 31, 2017, 2016, and 2015

(1) Summary of Significant Accounting Policies (continued)

Other Real Estate Owned and Allowance for Loss

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

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

Fair Value Measurements

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

Listed below are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017, 2016, and 2015.

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

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

Notes to Financial Statements

December 31, 2017, 2016, and 2015

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

Fair Value Measurements, continued

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

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

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

Income Taxes and Uncertain Tax Position

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

Basis of Presentation

The Ministry reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Ministry's temporarily restricted net assets are to be used for the future acquisition or improvements to church properties. The Ministry did not have any permanently restricted net assets.

Estimates

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

Subsequent Events

The Ministry has evaluated subsequent events through March 22, 2018, which is the date the financial statements were issued.

Notes to Financial Statements

December 31, 2017, 2016, and 2015

(2) *Cash and Cash Equivalents*

Cash and cash equivalents consist of checking and savings accounts in banks, highly liquid investments with original maturities of three months or less, money market funds and certificates of deposit with original maturities of twelve months or less. Cash and cash equivalents consists of the following as of December 31:

	2017	2016	2015
Checking and savings	\$ 26,510,010	\$ 16,444,669	\$ 43,481,181
Money market	34,875	15,872	19,008
	<u>\$ 26,544,885</u>	<u>\$ 16,460,541</u>	<u>\$ 43,500,189</u>

(3) *Certificates Receivable*

Certificates receivable are generally collected over 50 months on a straight-line basis with a 0% interest rate. Some certificates, when purchased by a church and not an individual, carry an interest rate equal to that of the associated mortgage note. The Ministry has applied an imputed interest discount rate to the certificates as shown below to adjust the carrying amount of the certificates receivable to fair value. The imputed rate used for certificates issued in 2017, 2016 and 2015 was 3.0%.

	2017	2016	2015
Total certificates receivable	\$ 106,133	\$ 239,094	\$ 1,278,374
Less discount for imputed interest at 3.00%	(10,259)	(21,689)	(129,249)
Less allowance for doubtful accounts	(25,000)	(25,000)	(125,000)
	<u>\$ 70,874</u>	<u>\$ 192,405</u>	<u>\$ 1,024,125</u>

Future maturities of certificates receivable for each of the next four years are as follows:

Year Ending December 31,	
2018	\$ 83,972
2019	17,232
2020	4,510
2021	419
	<u>\$ 106,133</u>

Activity in certificate allowance for credit losses is as follows:

	2017	2016	2015
Beginning balance	\$ 25,000	\$ 125,000	\$ 175,000
Adjustments charged to operations	-	(100,000)	(45,736)
Direct write-downs charged to allowance	-	-	(4,264)
	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 125,000</u>

Notes to Financial Statements

December 31, 2017, 2016, and 2015

(4) *Church Loans Unsecured*

The Ministry had unsecured church loans of \$1,534,836, \$1,672,347 and \$1,660,679 at December 31, 2017, 2016, and 2015, respectively. The terms of the notes provide for varying repayment terms and interest rates.

In accordance with The Ministry's internal credit rating system (see Note 5), the classification of these loans at December 31, 2017 was \$1,170,795 Pass and \$364,041 Special Mention (or Watch).

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

Age of Church Loans unsecured	2017	2016	2015
0-90 Days	\$ 1,311,862	\$ 1,633,901	\$ 1,660,679
Greater than 90 days and still accruing	-	38,446	-
Non Accrual	222,974	-	-
	\$ 1,534,836	\$ 1,672,347	\$ 1,660,679

During 2017, 2016 and 2015, The Ministry recognized \$100,567, \$124,904, and \$130,091, respectively, as interest income from these unsecured loans.

(5) *Mortgage Notes Receivable*

The Ministry administers the funding and collection of mortgage notes receivable primarily for the purpose of providing financing for the purchase, construction and renovation of physical facilities, and the acquisition of sites upon which new worship and education facilities can be constructed. The funding for the mortgages is obtained largely through the sale of promissory notes (see Note 11) and certificates (see Notes 3 and 12) which are unsecured debt obligations of The Ministry.

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

	2017	2016	2015
Mortgage notes receivable	\$ 503,613,729	\$ 494,617,925	\$ 456,637,125
Less allowance for loan losses	7,100,000	6,700,000	5,900,000
Net mortgage notes receivable	\$ 496,513,729	\$ 487,917,925	\$ 450,737,125

Notes to Financial Statements

December 31, 2017, 2016, and 2015

(5) Mortgage Notes Receivable (continued)

The mortgage notes receivable represented 784 loans at December 31, 2017 (808 and 753 loans at December 31, 2016, and 2015, respectively). The average interest rates for mortgage notes receivable were 5.57% in 2017, 5.68% in 2016, and 5.97% in 2015.

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

2018	\$ 10,848,912
2019	11,203,877
2020	11,679,721
2021	12,209,444
2022	12,673,819
2023 and thereafter	<u>444,997,956</u>
	<u>\$ 503,613,729</u>

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

Pass

Assigned to loans which reflect acceptable risk.

Special Mention (or Watch)

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

Substandard

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

Impaired

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

Notes to Financial Statements

December 31, 2017, 2016, and 2015

(5) *Mortgage Notes Receivable (continued)*

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

<u>Grade or Rating</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Pass	\$ 416,253,874	\$ 409,621,831	\$ 370,779,222
Special Mention or Watch	66,747,711	63,912,206	79,976,811
Substandard	20,612,144	20,819,452	5,741,720
Impaired	-	264,436	139,372
Total	<u>\$ 503,613,729</u>	<u>\$ 494,617,925</u>	<u>\$ 456,637,125</u>

No cash payments were received and no interest was recognized on loans graded as impaired during the period.

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

<u>Age of Mortgage Notes Receivable</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0-90 Days	\$ 456,283,918	\$ 449,168,026	\$ 413,815,948
91-120 Days	2,254,121	1,041,388	642,917
Greater than 120 and still accruing	6,605,060	7,856,666	2,286,124
Nonaccrual	38,470,630	36,551,845	39,892,136
Total	<u>\$ 503,613,729</u>	<u>\$ 494,617,925</u>	<u>\$ 456,637,125</u>

The allowance for credit losses was evaluated on a collective basis for the loan portfolio. Management did not identify any individual loans requiring a specific loss allowance. Activity in the loan allowance for credit losses is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 6,700,000	\$ 5,900,000	\$ 5,700,000
Additions charged to operations	420,932	918,049	883,264
Direct write-downs charged to allowance account	(20,932)	(118,049)	(683,264)
	<u>\$ 7,100,000</u>	<u>\$ 6,700,000</u>	<u>\$ 5,900,000</u>

Loan Commitments

The Ministry had unfunded loan commitments of approximately \$20.2 million, \$24.2 million, and \$13.6 million, at December 31, 2017, 2016 and 2015, respectively.

Notes to Financial Statements

December 31, 2017, 2016, and 2015

(5) *Mortgage Notes Receivable (continued)*

Loan Modifications

The Ministry will at times make certain modifications to loans as part of its ongoing operations that it does not consider to be troubled debt restructures. These modifications may include extending the term of the loan, temporarily changing the required payment to interest only, or capitalization of interest. The net present value of the estimated future cash flows on these loans is not expected to materially differ from the loan contract. During the year that ended December 31, 2017, approximately \$0.6 million of interest was capitalized and added to the mortgage notes receivable. In 2016 and 2015, \$0.4 million and \$1 million were capitalized, respectively.

Restructures

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

During the year ended December 31, 2017, The Ministry restructured five mortgage receivables that were classified as troubled debt. The aggregate unpaid balances of the mortgages at the times of restructuring were \$3,826,387 including \$72,992 in past due interest. No losses were recorded on the restructurings, as the underlying collateral value of the mortgages exceeded the recorded investment in the mortgages or the present value of the future benefit stream did not materially differ from the loan contract.

During the years ended December 31, 2017, 2016 and 2015, mortgage notes that were restructured during 2014 made all of their scheduled payments as required under the restructure agreement. The Ministry did not have any restructures that were classified as troubled debt during the years ended December 31, 2016 or 2015.

Concentration of Delinquencies

At December 31, 2017, 2016 and 2015, the Ministry had approximately \$13,800,000, \$12,300,000 and \$12,300,000, respectively of loans in Puerto Rico on nonaccrual status.

Qualification of Auditors' Opinion

At December 31, 2017, the Ministry was unable to value the underlying collateral related to mortgage notes with Teen Challenge Puerto Rico representing approximately \$11.2 million at December 31, 2017.

Notes to Financial Statements

December 31, 2017, 2016, and 2015

(6) *Property and Equipment*

Property and equipment consist of:

	2017	2016	2015
Land	\$ 730,770	\$ 730,770	\$ 730,770
Building and improvements	5,336,044	4,187,337	4,144,075
Equipment and furniture	827,315	708,955	735,103
Software	115,914	78,648	69,271
	<u>7,010,043</u>	<u>5,705,710</u>	<u>5,679,219</u>
Less accumulated depreciation	<u>2,089,531</u>	<u>2,022,209</u>	<u>1,901,961</u>
	<u>\$ 4,920,512</u>	<u>\$ 3,683,501</u>	<u>\$ 3,777,258</u>

(7) *Other Rental Property*

Other rental property consists of the following:

	2017	2016	2015
Land	\$ 856,000	\$ 856,000	\$ 856,000
Buildings and improvements	<u>5,226,650</u>	<u>5,226,650</u>	<u>5,226,650</u>
	6,082,650	6,082,650	6,082,650
Less accumulated depreciation	<u>716,568</u>	<u>597,125</u>	<u>477,682</u>
	<u>\$ 5,366,082</u>	<u>\$ 5,485,525</u>	<u>\$ 5,604,968</u>

(8) *Other Real Estate Owned*

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

	2017	2016	2015
Actively selling	\$ 15,921,152	\$ 15,861,200	\$ 8,421,011
Leasing back to churches	<u>13,456,311</u>	<u>11,239,144</u>	<u>17,928,699</u>
Total	29,377,463	27,100,344	26,349,710
Less accumulated depreciation	366,498	180,842	26,272
Less allowance for loss	<u>1,101,285</u>	<u>962,350</u>	<u>507,309</u>
	<u>\$ 27,909,680</u>	<u>\$ 25,957,152</u>	<u>\$ 25,816,129</u>

Notes to Financial Statements

December 31, 2017, 2016, and 2015

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

OREO expense was \$547,558; \$867,424 and \$715,216 for the years that ended December 31, 2017, 2016, and 2015, respectively. These expenses consist of the holding costs of the OREOs including property tax, insurance, utilities, repairs, maintenance, and depreciation. In 2017, 2016 and 2015, losses of \$138,935, \$785,980, \$519,121, respectively, were recorded to reduce the value of OREOs to their estimated market values or known market value upon sale. These write-downs are included in OREO expenses for the years that ended December 31, 2017, 2016 and 2015.

Included in the OREO balance at December 31, 2017 is approximately \$7.0 million of properties owned in Puerto Rico (\$6,500,000 at December 31, 2016 and 2015).

Qualification of Auditors' Opinion

At December 31, 2017, The Ministry was unable to value approximately \$6.9 million of other real estate owned related to Teen Challenge Puerto Rico at December 31, 2017.

(9) *Investments*

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

	Assets at Fair Value as of December 31, 2017		
	Level 1	Level 2	Total
Certificates of Deposit	\$ 2,169,507	\$ -	\$ 2,169,507
US Government Securities	5,073,958	-	5,073,958
Corporate & State Bonds	-	1,423,168	1,423,168
Mutual Funds	1,891,269	-	1,891,269
Total Investments	9,134,734	1,423,168	10,557,902
Unitrust Assets (Restricted)	136,279	-	136,279
Total Investments and Unitrust Assets	\$ 9,271,013	\$ 1,423,168	\$ 10,694,181

	Assets at Fair Value as of December 31, 2016		
	Level 1	Level 2	Total
Certificates of Deposit	\$ 7,619,624	\$ -	\$ 7,619,624
US Government Securities	7,460,468	-	7,460,468
Corporate & State Bonds	-	2,415,765	2,415,765
Mutual Funds	2,373,948	-	2,373,948
Total Investments	17,454,040	2,415,765	19,869,805
Unitrust Assets (Restricted)	128,257	-	128,257
Total Investments and Unitrust Assets	\$ 17,582,297	\$ 2,415,765	\$ 19,998,062

Notes to Financial Statements

December 31, 2017, 2016, and 2015

(9) Investments (continued)

	Assets at Fair Value as of December 31, 2015		
	Level 1	Level 2	Total
Certificates of Deposit	\$ 8,060,393	\$ -	\$ 8,060,393
US Government Securities	4,241,306	-	4,241,306
Corporate & State Bonds	-	2,123,258	2,123,258
Mutual Funds	2,761,046	-	2,761,046
Total Investments	15,062,745	2,123,258	17,186,003
Unitrust Assets (Restricted)	126,800	-	126,800
Total Investments and Unitrust Assets	<u>\$ 15,189,545</u>	<u>\$ 2,123,258</u>	<u>\$ 17,312,803</u>

The Ministry is required to hold funds in a separate account to act as a reserve for its gift annuities. The total cash and investments held in these separate accounts was \$661,600 in 2017, \$635,151 in 2016; and \$609,834 in 2015. These amounts were in excess of the required minimums.

(10) Bank Line of Credit

The Ministry has entered into a short-term line of credit agreement with Umpqua Bank in the amount of \$12,000,000. The line bears a variable interest rate at the Wall Street Journal prime rate minus 0.50% with a floor of 3.75%. The interest rate on the line as of December 31, 2017, was 4.0%. The line is secured by certain Mortgage Notes Receivable totaling \$19.7 million. At December 31, 2017, \$10,000,000 was drawn on the line. No amounts were drawn on the line as of December 31, 2016 and 2015. The line matures on June 28, 2018.

At December 31, 2017, The Ministry was out of compliance with the bank's requirement for the line of credit to be dormant for 30 consecutive days every six months. Subsequent to year end, The Ministry has maintained a zero balance and as a result considers the Ministry to be in compliance with this covenant as of the date of this report.

Notes to Financial Statements

December 31, 2017, 2016, and 2015

(11) Notes Payable

Notes payable consist of the following:

	December 31, 2017	December 31, 2016	December 31, 2015
<i>Vision Notes</i>			
Notes payable to various churches and individuals at variable and fixed interest rates ranging from 0.75% to 5.0%, unsecured	\$ 347,774,213	\$ 346,518,533	\$ 338,725,526
<i>Individual Retirement Accounts</i>			
Notes payable to various individual retirement accounts, fixed and variable interest rates ranging from 1.0% to 5.0%, unsecured	105,837,435	104,622,560	100,693,896
<i>Life Rewards</i>			
403(b) Funds invested in Vision Notes, variable interest rate at 3.3%, unsecured	52,032,479	53,364,646	53,730,337
	<u>\$ 505,644,127</u>	<u>\$ 504,505,739</u>	<u>\$ 493,149,759</u>

The average interest rates for the notes payable were 3.05% in 2017, 3.24% in 2016, and 3.39% in 2015. Purchasers of the notes may specify frequency of interest payments, or interest may be compounded and added monthly to the principal.

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

	Life Rewards 403(b) Notes	IRA Notes	Vision Notes	Total
2018	\$ 52,032,479	\$ 22,417,558	\$ 128,155,626	\$ 202,605,663
2019	-	24,204,080	73,598,320	97,802,400
2020	-	28,470,711	54,053,787	82,524,498
2021	-	16,334,503	45,061,017	61,395,520
2022	-	14,410,583	46,905,463	61,316,046
	<u>\$ 52,032,479</u>	<u>\$ 105,837,435</u>	<u>\$ 347,774,213</u>	<u>\$ 505,644,127</u>

Notes to Financial Statements

December 31, 2017, 2016, and 2015

(11) Notes Payable (continued)

Life Rewards is a 403(b) plan offered to Church Extension Plan employees as well as Assemblies of God pastors and ministry staff. The Life Rewards 403(b) Vision Note is an investment option offered to plan participants and is shown as a current maturity because the 403(b) participants have the option to change their investment allocation within the plan at any time. Over 93% of all funds in the Life Rewards 403(b) plan were invested in the Life Rewards 403(b) Vision Note as of December 31, 2017.

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

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

	<i>(in millions)</i>		
	2017	2016	2015
Total notes matured	\$ 236.7	\$ 230.1	\$ 239.1
Distributions on matured notes	\$ 52.9	\$ 42.6	\$ 34.0
Distributions on non-matured notes	\$ 18.3	\$ 18.6	\$ 19.5

The Ministry's notes payable is recorded at adjusted cost. The fair value of the notes payable is estimated based upon The Ministry's rates for similar instruments at year-end. The fair value of The Ministry's notes payable approximated its carrying value at December 31, 2017.

(12) Certificates Payable

Certificates payable consist of the following:

	2017	2016	2015
Unsecured future maturity value of certificate payable	\$ 68,085,000	\$ 71,451,000	\$ 77,779,125
Less certificate discount with rates ranging from 3.0% to 8.5%	<u>(26,714,882)</u>	<u>(30,022,203)</u>	<u>(35,153,387)</u>
Net certificate liability	<u>\$ 41,370,118</u>	<u>\$ 41,428,797</u>	<u>\$ 42,625,738</u>

Amortization expense of the certificate discount for the year that ended December 31, 2017, was \$2,947,761 (\$3,064,797 and \$3,173,867 in 2016 and 2015, respectively). These amounts are included with interest expense on the Statements of Activities.

Notes to Financial Statements

December 31, 2017, 2016, and 2015

(12) Certificates Payable (continued)

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

2018	\$	3,059,400
2019		3,714,000
2020		2,828,250
2021		4,198,950
2022		6,953,250
Thereafter		47,331,150
	\$	<u>68,085,000</u>

(13) Certificate Revenue

Certificate revenue as presented on the Statement of Activities, consists of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Face value of certificates sold	\$ 126,500	\$ 188,000	\$ 127,000
Less: Imputed interest discount	<u>(8,971)</u>	<u>(15,936)</u>	<u>(10,190)</u>
Net sales price	<u>117,529</u>	<u>172,064</u>	<u>116,810</u>
Less:			
Maturity value of certificates	189,750	282,000	190,500
Net of discount to adjust to estimated present value	<u>(86,771)</u>	<u>(128,355)</u>	<u>(85,873)</u>
Net expense	<u>102,979</u>	<u>153,645</u>	<u>104,627</u>
Certificate revenue	<u>\$ 14,550</u>	<u>\$ 18,419</u>	<u>\$ 12,183</u>

(14) Gift Annuities and Unitrust Agreements

The Ministry carries five gift annuities. The aggregate initial deposits of these annuities is \$498,000. The interest rates on the payouts range from 6.5% - 10.3% with an annual aggregate payment of \$46,230. The Ministry is in compliance with the reserving requirements of ORS 731.716 in connection with these annuities. The Gift Annuities Liability was \$469,380 as of December 31, 2017, \$497,662 as of December 31, 2016, and \$502,142 as of December 31, 2015.

At December 31, 2017, The Ministry acted as the trustee for two Charitable Remainder Unitrusts. The initial deposits on these Unitrusts were \$165,826 and the interest rates on the payouts were 6.5% to 9.5% (limited to income earned) with an annual aggregate payment amount of \$8,736 in 2017. The Unitrust Obligation Liability was \$88,274 as of December 31, 2017, \$85,235 as of December 31, 2016, and \$84,970 as of December 31, 2015.

Notes to Financial Statements

December 31, 2017, 2016, and 2015

(15) *Deferred Compensation*

One former employee of The Ministry is the sole participant in a nonqualified deferred compensation death benefit only plan. Benefits are based upon an account balance which accrues interest annually at the current rate of The Ministry's Vision Notes. Benefits, including accrued interest, are payable from The Ministry's general assets to the participant's beneficiary solely upon his death.

(16) *Pension Plan*

The Ministry offers a tax-deferred defined contribution plan through Life Rewards for all eligible employees. The Ministry makes a contribution of the first 3% of the eligible employee's salary. If an employee elects to defer a portion of their compensation, The Ministry may match up to an additional 3% of compensation at its discretion. The contributions to the plan were \$156,099 in 2017, \$177,718 in 2016, \$182,722 in 2015.

(17) *Employee Medical Benefit Plan*

The Ministry maintains a self-insured medical plan covering substantially all full-time active employees and their families. The Ministry limits their losses through the use of stop-loss insurance policies. Specific individual losses are limited to \$50,000 per occurrence with a \$1,055,000 combined limit for 2017. The liability recorded for incurred but not reported claims was \$120,000 at December 31, 2017, 2016 and 2015.

(18) *Distributions to Member Districts*

Distributions are made to member districts from time to time as determined by the Board of Directors. No distributions were authorized in 2017 or 2016. Distributions authorized in 2015 were \$100,667.

(19) *Noncash Activity*

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Deeds in lieu of foreclosure	\$ 2,266,468	\$ 3,282,802	\$ 14,375,452
OREO's transferred to mortgage receivables	\$ -	\$ 358,256	\$ 883,625

Notes to Financial Statements

December 31, 2017, 2016, and 2015

(20) Related Party

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

The president of the Ministry serves as a board member to Teen Challenge of Puerto Rico. Teen Challenge of Puerto Rico has mortgage notes with The Ministry and other real estate owned. The balances due on these notes were approximately \$11.2 million as of December 31, 2017, 2016 and 2015. As of December 31, 2017, 2016 and 2015, these notes were on non-accrual status. Total interest earnings recognized in 2015 was \$80,700. The carrying value of the other real estate owned was approximately \$6.9 million as of December 31, 2017, 2016 and 2015. No income has been recognized in 2017, 2016 or 2015 related to these assets.

(21) Litigation

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

(22) NASAA Statement of Policy Guideline

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

The Ministry did not meet the NASAA net asset benchmark as of December 31, 2017, 2016 and 2015. The Ministry's net assets were 3.09% at December 31, 2017 (2.92% and 2.65% in 2016 and 2015, respectively), and the benchmark calls for CEF's net assets to be positive and equal to 5% or more of its total assets.

The Ministry does not issue notes or certificates in any state where it is not qualified or registered to do so as a result of not meeting the above-described (2) NASAA statement of policy benchmarks. There are currently six states where the Ministry is not qualified or registered to issue notes or certificates.

Management does not anticipate significant changes in its ability to issue notes or certificates.