

# PROSPECTUS

## HERITAGE INVESTMENT SERVICES FUND, INC.

3 Kacey Court, Suite 101, Mechanicsburg, PA 17055, (717) 796-9784  
or toll-free at 1-866-219-0820 www.hisfund.com

### \$100,000,000 UNSECURED PROMISSORY NOTES

<u>Instrument (1)(2)</u>	<u>Current Initial Interest Rate (3)</u>	<u>Offering Price</u>	<u>Commissions and Underwriting Expense</u>
Demand (Plus 30 days)	2.25%	100% of Principal	None
Term Notes (4)	2.50% to 4.00% (4)	100% of Principal	None

The securities described in this Prospectus will be sold without the payment of any commission, with all expenses of such offering being borne by Heritage Investment Services Fund, Inc. Net proceeds of the offering after estimated expenses of \$95,000 are anticipated to be \$99,905,000 if the full \$100,000,000 of securities would be sold.

**THE SECURITIES DESCRIBED HEREIN ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 3(a)(4) OF THE FEDERAL SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES. THE SECURITIES DESCRIBED HEREIN ARE ALSO EXEMPTED FROM REGISTRATION IN CERTAIN STATES BY STATE LAW, WHILE IN OTHER STATES THEY HAVE BEEN REQUIRED TO BE REGISTERED. THE FACT THAT THESE SECURITIES HAVE BEEN REGISTERED IN CERTAIN STATES, OR THAT THEY MAY BE EXEMPT FROM REGISTRATION IN OTHER STATES, DOES NOT MEAN THAT THE APPLICABLE ADMINISTRATOR OF THE STATE SECURITIES LAWS NOR THE SECURITIES AND EXCHANGE COMMISSION (“SEC”) HAS PASSED IN ANY WAY UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION SET FORTH HEREIN, NOR THAT SUCH ADMINISTRATOR OR THE SEC HAS PASSED UPON THE MERITS OR QUALIFICATIONS OF OR RECOMMENDED, ENDORSED OR GIVEN APPROVAL TO, THE ISSUER, THE SECURITIES, OR THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**THE NOTES WILL BE OFFERED AND SOLD ONLY TO PERSONS WHO ARE, PRIOR TO OR AT THE TIME OF RECEIVING A PURCHASE APPLICATION, MEMBERS OF, CONTRIBUTORS TO OR PARTICIPANTS IN THE GENERAL COUNCIL OF THE ASSEMBLIES OF GOD, THE PENNSYLVANIA-DELAWARE DISTRICT COUNCIL OF THE ASSEMBLIES OF GOD, OR IN ANY PROGRAM, ACTIVITY OR ORGANIZATION WHICH CONSTITUTES A PART OF THE GENERAL COUNCIL OR THE DISTRICT COUNCIL, OR IN OTHER CHURCH ORGANIZATIONS THAT HAVE A PROGRAMMATIC RELATIONSHIP WITH THE GENERAL COUNCIL OR THE DISTRICT COUNCIL, AND INDIVIDUAL RETIREMENT ACCOUNTS OF SUCH PERSONS.**

**NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE SET FORTH IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER CONTAINED HEREIN, AND INFORMATION OR REPRESENTATIONS NOT HEREIN CONTAINED, IF GIVEN OR MADE, MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ISSUER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION TO BUY ON BEHALF OF THE ISSUER IN ANY STATE IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED BY APPLICABLE LAW OR EXEMPT FROM REGISTRATION. NEITHER DELIVERY OF THIS PROSPECTUS NOR ANY SALES MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER SINCE THE DATE HEREOF.**

**THIS PROSPECTUS CONTAINS ESSENTIAL INFORMATION ABOUT THE ISSUER AND THE SECURITIES BEING OFFERED HEREBY. PROSPECTIVE INVESTORS ARE ADVISED TO READ THIS PROSPECTUS CAREFULLY PRIOR TO MAKING ANY DECISION TO PURCHASE THE SECURITIES OFFERED HEREBY. THIS OFFERING IS SUBJECT TO SIGNIFICANT RISKS. SEE PAGE 3 - “RISK FACTORS.”**

- (1) See “DESCRIPTION OF SECURITIES.”
- (2) The Notes will be offered and sold to a limited class of persons. See “DESCRIPTION OF SECURITIES.”
- (3) The interest rate on Term Notes will be the rate in effect at time of sale for the selected maturity; the interest rate on Demand Notes may vary. See “DESCRIPTION OF SECURITIES.”
- (4) The Term Notes are offered in varying maturities. Ministry Rate Term Notes may have lower interest rates. See “DESCRIPTION OF SECURITIES.”

**The date of this Prospectus is April 24, 2017 and is to be used by investors from April 24, 2017 through April 23, 2018.**

THE NOTES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, ANY STATE BANK INSURANCE FUND, THE SECURITIES INVESTOR PROTECTION CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IS DEPENDENT UPON THE ISSUER'S FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW THE ISSUER'S FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE NOTES ARE OBLIGATIONS OF HERITAGE INVESTMENT SERVICES FUND, INC. AND ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, THE PENNSYLVANIA-DELAWARE DISTRICT COUNCIL OF THE ASSEMBLIES OF GOD, THE ASSEMBLIES OF GOD, OR BY ANY CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH THE ASSEMBLIES OF GOD OTHER THAN HERITAGE INVESTMENT SERVICES FUND, INC.

THE SECURITIES DESCRIBED HEREIN ARE NOT NEGOTIABLE AND ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE. THESE SECURITIES MAY NOT BE TRANSFERRED OR RESOLD WITHOUT THE WRITTEN APPROVAL OF THE ISSUER AND AS PERMITTED UNDER 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.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS AND RISKS INVOLVED. INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF NOTES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.

**FLORIDA RESIDENTS:** THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE STATE OF FLORIDA.

**KENTUCKY RESIDENTS:** THE DEBT SECURITIES OF HERITAGE INVESTMENT SERVICES FUND, INC. ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION KRS 292.400(9) OF THE KENTUCKY SECURITIES ACT.

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

**MARYLAND RESIDENTS:** ANY SECURITIES SOLD IN MARYLAND WILL BE SOLD PURSUANT TO A CLAIM OF EXEMPTION UNDER THE MARYLAND SECURITIES ACT. THE DIVISION OF SECURITIES OF THE OFFICE OF THE ATTORNEY GENERAL OF MARYLAND HAS NOT REVIEWED THE INFORMATION IN THIS DOCUMENT 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.

**NEW YORK RESIDENTS:** THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THE ISSUER'S MANAGEMENT HAS EXAMINED THIS PROSPECTUS AND BELIEVES THAT IT CONTAINS A FAIR SUMMARY OF THE DOCUMENTS REFERRED TO HEREIN, AND THAT THIS PROSPECTUS DOES NOT OMIT ANY MATERIAL FACT AND DOES NOT CONTAIN ANY MISSTATEMENT OF THE MATERIAL FACT.

**PENNSYLVANIA RESIDENTS:** A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES. THE PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES HAS NOT PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, NOR APPROVED OR DISAPPROVED THE OFFERING, NOR PASSED UPON THE ADEQUACY OR ACCURACY OF THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE

REGISTRATION STATEMENT AND THE EXHIBITS FILED THEREWITH ARE AVAILABLE FOR INSPECTION AT THE OFFICES OF THE PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES, 17 NORTH SECOND STREET, SUITE 1300, HARRISBURG, PENNSYLVANIA 17101-2290, (717) 787-1854 OR 1-800-722-2657 (TOLL FREE IN PENNSYLVANIA), DURING REGULAR BUSINESS HOURS (MONDAY-FRIDAY, 8:30 A.M. TO 5 P.M.) OR FROM HERITAGE INVESTMENT SERVICES FUND, INC.

It is the position of the Pennsylvania Department of Banking and Securities that indemnification in connection with violations of the securities laws is against public policy and void.

EVERY PURCHASER OF THE SECURITIES DESCRIBED IN THIS PROSPECTUS HAS THE RIGHT TO WITHDRAW FROM THE PURCHASE AS PROVIDED BY SECTION 207(m) OF THE PENNSYLVANIA SECURITIES ACT OF 1972. IF YOU HAVE ACCEPTED AN OFFER TO PURCHASE THESE SECURITIES PURSUANT TO A PROSPECTUS WHICH CONTAINS A WRITTEN NOTICE EXPLAINING YOUR RIGHT TO WITHDRAW YOUR ACCEPTANCE PURSUANT TO SECTION 207(m)(1) OF THE PENNSYLVANIA SECURITIES ACT OF 1972, YOU MAY ELECT, WITHIN TWO BUSINESS DAYS AFTER THE FIRST TIME YOU HAVE RECEIVED THIS NOTICE AND A PROSPECTUS (WHICH IS NOT MATERIALLY DIFFERENT FROM THE FINAL PROSPECTUS) TO WITHDRAW FROM YOUR PURCHASE AGREEMENT AND RECEIVE A FULL REFUND OF ALL MONIES PAID BY YOU. YOUR WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, YOU NEED ONLY SEND A WRITTEN NOTICE (INCLUDING A NOTICE BY FACSIMILE OR ELECTRONIC MAIL) TO THE ISSUER (OR UNDERWRITER IF ONE IS LISTED ON THE FRONT PAGE OF THE PROSPECTUS) INDICATING YOUR INTENTION TO WITHDRAW.

OF THE \$100,000,000 OF DEBT SECURITIES BEING OFFERED HEREBY, \$100,000,000 WILL BE OFFERED TO PENNSYLVANIA RESIDENTS.

**SOUTH CAROLINA RESIDENTS:** THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SOUTH CAROLINA UNIFORM SECURITIES ACT OF 2005 IN RELIANCE ON THE EXEMPTION PROVIDED IN SECTION 35-1-201(7) THEREOF AND RULE 13-202 PROMULGATED THEREUNDER. DEMAND NOTES AS DESCRIBED IN THE PROSPECTUS ARE NOT AVAILABLE IN SOUTH CAROLINA. IF YOU WERE A RESIDENT OF THE STATE OF SOUTH CAROLINA WHEN YOU PURCHASED A NOTE, YOU MAY DECLARE AN EVENT OF DEFAULT ON YOUR SECURITY ONLY IF ONE OF THE FOLLOWING OCCURS:

- WE DO NOT PAY OVERDUE PRINCIPAL AND INTEREST ON THE SECURITY WITHIN THIRTY (30) DAYS AFTER WE RECEIVE WRITTEN NOTICE FROM YOU THAT WE FAILED TO PAY THE PRINCIPAL OR INTEREST WHEN DUE; OR
- A SOUTH CAROLINA RESIDENT WHO OWNS A SECURITY OF THE SAME ISSUE AS YOUR SECURITY (i.e., THE SAME INITIAL TERM, INTEREST RATE AND PROSPECTUS UNDER WHICH THE SECURITY WAS OFFERED AND SOLD) HAS RIGHTFULLY DECLARED AN EVENT OF DEFAULT AS TO HIS OR HER SECURITY.

TO DECLARE AN EVENT OF DEFAULT, YOU MUST SUBMIT A WRITTEN DECLARATION TO US. THE RIGHTFUL DECLARATION OF AN EVENT OF DEFAULT AS TO ANY ONE SECURITY OF AN ISSUE CONSTITUTES AN EVENT OF DEFAULT ON THE ENTIRE ISSUE IN SOUTH CAROLINA. UPON A RIGHTFUL DECLARATION OF AN EVENT OF DEFAULT ON A SECURITY:

- THE PRINCIPAL AND INTEREST ON YOUR SECURITY BECOMES IMMEDIATELY DUE AND PAYABLE;
- IF YOU REQUEST IN WRITING, WE WILL SEND YOU A LIST OF NAMES AND ADDRESSES OF ALL INVESTORS IN THE STATE OF SOUTH CAROLINA WHO OWN A SECURITY OF THE SAME ISSUE AS YOUR SECURITY; AND
- THE OWNERS OF 25% OR MORE OF THE TOTAL PRINCIPAL AMOUNT OF SECURITIES OF THE SAME ISSUE OUTSTANDING IN THE STATE OF SOUTH CAROLINA CAN DECLARE THE ENTIRE ISSUE IN THE STATE OF SOUTH CAROLINA DUE AND PAYABLE.

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FOR 2016 AND 2015:**

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## SUMMARY INFORMATION

The following is a brief summary of certain information contained elsewhere in this Prospectus. This summary is not intended to be complete and is qualified in its entirety by reference to more detailed information contained elsewhere in this Prospectus, including the Appendices hereto. **ALL PROSPECTIVE INVESTORS ARE URGED TO REVIEW THE ENTIRE PROSPECTUS, INCLUDING THE APPENDICES, CAREFULLY.**

### **Heritage Investment Services Fund, Inc.**

Heritage Investment Services Fund, Inc. (“Heritage Investment Services Fund” or “HIS Fund”) is a Pennsylvania nonprofit corporation established by the Pennsylvania-Delaware District Council of the Assemblies of God (the “District” or “District Council”) on September 17, 2007, to be the successor to the assets, liabilities and operations of the church extension loan fund operated by the District Council since 1981. All of the assets, liabilities and operations of the loan fund previously operated by the District Council were transferred to HIS Fund effective July 1, 2008.

HIS Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and also qualified to receive tax deductible bequests, transfers or gifts. The mission of HIS Fund is to assist, further and support the religious work and ministries of the Assemblies of God throughout the territories served by the District Council and, to the extent approved by HIS Fund’s Board of Directors, outside the geographical boundaries of the District Council. Its principal activity is operating a church extension loan fund. HIS Fund may also provide financial planning and advice, financial management, stewardship, planned giving and similar services to the Assemblies of God, including, without limitation, the District Council and its affiliated institutions, agencies, organizations and congregations.

The principal office of HIS Fund is 3 Kacey Court, Suite 101, Mechanicsburg, Pennsylvania 17055. HIS Fund’s telephone number is (717) 796-9784 (or toll-free at 1-866-219-0820) and its website address is [www.hisfund.com](http://www.hisfund.com).

### **Pennsylvania-Delaware District Council of the Assemblies of God**

The District Council is a non-profit corporation organized under the laws of the Commonwealth of Pennsylvania. The District Council is the corporate entity having jurisdiction over affiliated churches of the Assemblies of God in Pennsylvania and Delaware. The District Council is exempt from federal income tax pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The principal office of the District Council is 4651 Westport Drive, Mechanicsburg, Pennsylvania 17055, and its telephone number is (717) 795-5921. The District Council and HIS Fund are separate legal entities and the District Council has no direct or indirect liability for the Notes offered and sold by HIS Fund.

### **Management of HIS Fund**

Heritage Investment Services Fund is managed under the direction of its Board of Directors, comprised of between 3 and 9 members. The Superintendent and Secretary-Treasurer of the District Council are ex officio voting members of the HIS Fund Board. Persons to fill vacancies on the HIS Fund Board will be elected by the then current HIS Fund directors.

## Description of Securities

The debt securities offered hereby are unsecured promissory notes (the “Notes”) in the aggregate principal amount of \$100,000,000. Notes will be issued by Heritage Investment Services Fund. The minimum amount of any Note is \$500. Notes are issued as either demand notes, payable upon demand with 30 days prior written notice (“Demand Notes”), or notes with various fixed maturities established from time to time by HIS Fund (“Term Notes”). **Investors do not have any rights of early withdrawal.** Restrictions on withdrawal and transfer apply. Term Notes may include Ministry Rate Term Notes related to “matching funds” loans to specific congregations. Demand Notes pay interest at a variable interest rate, which is subject to change from time to time. At least thirty (30) days prior to any decrease in the interest rate of a Demand Note, the holders of Demand Notes will be notified of such change. Currently, no notice is provided to investors if the interest rate payable on Demand Notes increases other than a posting of the increased interest rate on HIS Fund’s web page. Term Notes pay interest at a rate fixed at the time of issuance. Notes are redeemable at any time in the discretion of HIS Fund. If not redeemed, Notes (other than Demand Notes and Ministry Rate Term Notes) automatically renew upon maturity for an equal number of months as the original maturity, at the interest rate then being offered for Term Notes of like maturity, unless, prior to the maturity date, the holder of a Note notifies HIS Fund in writing that such renewal is not desired or the holder reinvests (rolls over) into a Note with a different maturity. HIS Fund may establish, from time to time, higher rates of interest that would apply to Term Notes with higher initial investment amounts or as an incentive to new investors. In the discretion of HIS Fund, Notes may be issued in book entry form. HIS Fund began to issue Notes only in book entry form during 2011. HIS Fund will send the investor written confirmation of issuance but a physical note will not be issued. See “DESCRIPTION OF SECURITIES.”

Set forth below are the initial interest rates as of April 24, 2017:

<u>Note Maturities</u>	<u>Initial Interest Rates as of April 24, 2017</u>
Demand Note	2.25%
Six Month Term Note	2.50%
One Year Term Note	2.75%
Two and One-Half Year Term Note	3.00%
Four Year Term Note	3.25%
Five Year Term Note	4.00%
Ministry Rate Term Notes	N/A*

\* Ministry Rate Term Notes will have a maturity of three to five years and an interest rate fixed at time of issuance based on the interest rate of a related congregational loan. See “DESCRIPTION OF SECURITIES – Ministry Rate Term Notes.”

## Financial Information

For selected financial information of HIS Fund and a five-year summary of financial information of HIS Fund, please see pages 11 and 12, respectively, of this Prospectus. Audited financial statements of HIS Fund, including the notes thereto, are included as Appendix A to this Prospectus.

## Use of Proceeds

Notes	\$100,000,000
Estimated Expenses	<u>\$95,000</u>
Net Proceeds	<u>\$99,905,000</u>

It is estimated that HIS Fund will incur aggregate accounting, legal, printing and other costs in connection with this offering of approximately \$95,000 with all expenses being borne by HIS Fund. The net proceeds from the sale of the Notes offered hereby will be used to carry on the activities of Heritage Investment Services Fund, principally loan fund operations. See "USE OF PROCEEDS."

## **RISK FACTORS**

The debt securities offered hereby involve risks to investors. The following factors should be considered by prospective investors before making a commitment to purchase any of the securities offered hereby:

1. **The Notes are not secured.** The Notes to be issued are unsecured debt obligations of HIS Fund. Repayment of principal and interest on the Notes issued by HIS Fund will be entirely dependent on the financial condition of HIS Fund. No assets of HIS Fund have been or will be pledged as security for repayment of principal on the Notes. The securities offered hereby will be of equal rank with all other previously outstanding and future unsecured debt obligations and liabilities of HIS Fund. So long as any of the securities issued or assumed by HIS Fund remain outstanding, the amount of any senior secured obligations of HIS Fund shall in no event exceed ten percent (10%) of the tangible assets of HIS Fund. See "DESCRIPTION OF SECURITIES."

2. **The Notes are not insured.** The Notes are the unsecured obligations of HIS Fund and monies invested are not insured against loss. The Notes are not savings or deposit accounts or other obligations of a bank and are not insured by the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC), any state insurance fund or any other governmental agency.

3. **The assets of HIS Fund related to loan fund activities are not protected from the debts of HIS Fund.** The assets of HIS Fund, including any assets related to loan fund activities, would be available, if necessary, to meet the obligations of HIS Fund arising from any source, including any that may be unrelated to loan fund operations.

4. **There is no sinking fund or trust indenture to protect investors.** No sinking fund or trust indenture will be established by HIS Fund in connection with the offering of the Notes and the absence thereof may adversely affect its ability to repay the Notes. Although cash or cash equivalents and liquid assets are maintained to serve as a source of funds to make repayments to investors, such reserves are less than the total amount of outstanding Notes. If a large number of investors requested to withdraw funds at any one time, HIS Fund could experience a cash flow shortage. Reserves are neither a sinking fund nor a segregated fund pledged to protect investors. See "DESCRIPTION OF SECURITIES - Liquidity Reserves."

5. **The Notes are not guaranteed by the District Council.** HIS Fund is a separate legal entity from the District Council and is not owned by the District Council. The District Council has no



direct or indirect liability for, nor does it guarantee, the Notes offered and sold by HIS Fund or any other liabilities of HIS Fund.

6. **Managers are not professionally trained investment managers.** HIS Fund is managed by members of the HIS Fund Board of Directors who are not trained professionally and who have little, if any, experience in fund management other than the prior operation of the predecessor loan fund for the District Council. See “MANAGEMENT”.

7. **The financial condition of HIS Fund is the only protection for investors.** There is no guarantee that HIS Fund will not experience declines in net assets in current or future years. HIS Fund last experienced a decline in net assets in 2011. See “FIVE-YEAR SUMMARY OF FINANCIAL STATEMENTS” and “USE OF PROCEEDS.”

8. **The investment assets of HIS Fund may decrease.** Available funds that are not used for loans or other expenses of HIS Fund may be invested in investments that are subject to fluctuation in market value. A decrease in market value of these investments would reduce the assets that are available to repay investors. HIS Fund incurred net security gains (losses) of \$549,681, (323,253), \$(159,443), and \$630,938 for 2016, 2015, 2014, and 2013 respectively. There is no assurance that future decreases in the value of the investments will not occur.

9. **HIS Fund may invest a significant portion of the proceeds generated through the annual offer and sale of debt securities in unsecured debt and other obligations of affiliates.** HIS Fund may invest a significant portion of the proceeds generated through the annual offer and sale of debt securities in unsecured debt and other obligations or equity of other Assemblies of God related organizations and in other unsecured investment vehicles making or investing directly or indirectly in loans to faith-based ministries and churches. There is no public market for these unsecured investments. As of December 31, 2016 and December 31, 2015, the aggregate amount of such unsecured investments totaled \$2,962,619 and \$2,619,478, respectively, representing approximately 1.7% and 1.7%, respectively, of HIS Fund’s total assets as of such date. During 2016 and 2015, HIS Fund incurred losses on an investment in a limited partnership of \$(27,086), and \$(12,789), respectively. Losses on investments negatively affect HIS Fund’s total assets and such losses could adversely affect the ability of HIS Fund to pay interest on Notes and/or to honor withdrawals. See “USE OF PROCEEDS – Investments” and “- Related Party Transactions” and Note 2 to the Financial Statements included as Appendix A to this Prospectus.

10. **Variable interest rate on Demand Notes subject to change.** The rate of interest to be paid on Demand Notes is subject to decrease, from time to time, in the discretion of HIS Fund at the beginning of a calendar month. At least thirty (30) days prior to any decrease in the interest rate of a Demand Note, HIS Fund will notify the holder of such change. See “DESCRIPTION OF SECURITIES.”

11. **A significant percentage of the outstanding Notes are either payable on demand or mature in 2017.** As of December 31, 2016, \$43,681,275 of the \$164,714,500 outstanding Notes were either payable on demand (\$12,793,849) or scheduled to mature in 2017 (\$30,887,426). See “DESCRIPTION OF SECURITIES – Outstanding Debt Obligations.”

12. **There is no right to early withdrawal and an interest penalty and a request processing fee may be imposed on early withdrawal.** The holder of a Term Note does not have the

right to have a Term Note redeemed prior to maturity of the Note. **HIS Fund may, in its discretion, refuse to permit any or all early withdrawals.** The holder of a Demand Note does not have the right to have a Demand Note redeemed prior to expiration of 30 days after written notice of a request for redemption by the holder is received by HIS Fund. If HIS Fund permits early withdrawal, HIS Fund, in its discretion, may impose an interest penalty, and a request processing fee not to exceed \$15.00, on voluntary redemptions prior to maturity of Term Notes or, in the case of Demand Notes, prior to expiration of the 30-day prior notice period. Interest is not compounded on a quarterly basis unless interest remains on deposit. No interest penalty will be imposed in connection with voluntary redemptions as a result of death. See “DESCRIPTION OF SECURITIES - General” and “- Restrictions on Withdrawal and Transfer; Penalty and Fee on Voluntary Redemption.”

**IN ORDER TO PROTECT THE INTEREST OF ALL INVESTORS, HIS FUND RESERVES THE RIGHT TO SUSPEND REDEMPTIONS OR POSTPONE THE DATE OF REPAYMENT FOR ANY PERIOD, NOT TO EXCEED THIRTY (30) DAYS, DURING WHICH AN EMERGENCY EXISTS AS DETERMINED BY HIS FUND, EITHER BECAUSE OF EXCESSIVE REDEMPTIONS OR OTHERWISE.**

13. **Voluntary withdrawals or early redemptions of Ministry Rate Term Notes are not permitted.** Voluntary withdrawals or early redemptions of Ministry Rate Term Notes at the request of investors are not permitted during the period that the Borrowing Church’s loan from HIS Fund is outstanding. Although HIS Fund may waive this restriction at any time in its discretion for any or all investors, it has no intention of doing so while the Borrowing Church’s loan is outstanding. “DESCRIPTION OF SECURITIES – Restrictions on Withdrawal and Transfer; Interest Penalty on Voluntary Redemption” and “- Ministry Rate Term Notes”.

14. **Term Notes (other than Ministry Rate Term Notes) are subject to automatic renewal upon maturity unless redeemed by HIS Fund.** Automatic renewal will be at the then current rate of interest, for another term equal to the initial term unless the Noteholder notifies HIS Fund prior to the maturity date not to renew the Note.

15. **There is no market for the Notes.** There is no market for the Notes and no expectation that one will develop.

16. **There are restrictions on transfer of the Notes.** Notes may not be transferred or assigned without the consent of HIS Fund. See “DESCRIPTION OF SECURITIES - Limitations on Withdrawal and Transfer; Interest Penalty on Voluntary Redemption.”

17. **Securities are redeemable.** Any or all of the Notes may be redeemed by HIS Fund at any time, including prior to stated maturity of Term Notes or at maturity, and from time to time, by paying the unpaid principal and accrued interest through the date of redemption of the Note or Notes redeemed. See “DESCRIPTION OF SECURITIES - General.”

18. **Interest on the Notes is taxable income.** Interest paid or payable on the Notes will normally be taxable as ordinary income to the holder regardless of whether interest is paid or allowed to accumulate, unless the holder is a tax-exempt organization. If interest paid is below the market interest, the Internal Revenue Service may impute income up to the market interest level. See “DESCRIPTION OF SECURITIES - Tax Considerations.”

19. **Purchase of Notes does not entitle an investor to claim a charitable deduction.** The purchase of a Note is not a charitable contribution to HIS Fund and investors may not claim a charitable deduction for federal income tax purposes as a result of purchasing Notes. See “DESCRIPTION OF SECURITIES – Tax Considerations.”

20. **A default on loans could decrease income needed to pay the Notes.** Not all loans made to borrowers have been or will be secured by mortgages or other collateral. Even if a loan is secured, there is no assurance that, in the event of default by a borrower, the foreclosure value of the mortgaged property will be adequate to fully cover the indebtedness on the loans, especially in light of the limited market for buildings constructed for church use. If a default occurs, there may be substantial periods during which payments of interest on the mortgaged property would not be made. This could adversely affect the ability to pay interest on the Notes and/or to honor withdrawals. See “LENDING ACTIVITIES.”

21. **Churches and church-related organizations that borrow are dependent on contributions.** The ability of a church or a church-related entity to repay principal and interest on a loan when due depends upon contributions it receives from its members and others. Both the number of members of a church borrower and the amount of voluntary contributions received by the church borrower may fluctuate. A decline in contributions to a church or church-related entity that has borrowed may adversely affect the ability of the borrower to repay its loan. This, in turn, could adversely affect HIS Fund’s ability to repay the Notes.

22. **HIS Fund’s loan policies may be more lenient than those of commercial lenders.** Because of the relationship between HIS Fund and its borrowers, HIS Fund may be more willing to consider accommodations when payments fall behind or to consider refinancing loans than commercial lenders would be and loan policies, including loan underwriting and enforcement of loan terms in the event of delinquency, are generally less stringent than loan policies of commercial lenders. HIS Fund would seek to aid its borrowers in every instance to meet loan obligations without foreclosure. This could have an adverse impact on HIS Fund’s revenue and adversely affect the ability of HIS Fund to repay the Notes.

23. **There are risks related to geographic concentration of loans.** As of December 31, 2016, the majority of HIS Fund’s loans based on outstanding principal balances were to borrowers in Florida, Georgia, New Jersey, New York and Pennsylvania. Changes in economic conditions or natural disasters affecting those states or significant parts of them could affect the ability of a number of borrowers in those states to repay their loans.

24. **There are risks related to competition from other potential lenders to the churches and church-related entities that HIS Fund serves.** Competitors include banks, other church extension loan funds and other lenders which from time to time may be active in specific loan markets where a borrower or potential borrower from HIS Fund is located. HIS Fund uses revenues from loans to make payments to investors in its debt securities. Competition could have the adverse effect of reducing HIS Fund’s revenue by reducing loans outstanding or putting pressure on HIS Fund to lower interest rates on loans in order to make its loans more attractive to borrowers.

25. **There is potential environmental liability associated with the loans HIS Fund makes.** HIS Fund does not typically conduct an environmental audit before approving a loan. If environmental pollution or other contamination is found on or near property securing a loan, HIS Fund’s

security for the loan could be impaired. 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 HIS Fund. This, in turn, could adversely affect HIS Fund's ability to repay the Notes.

26. **State Regulation of Sales of Securities.** Changes in state laws, rules or regulations, or the applications thereof, regarding the sale of debt obligations of religious, charitable or other nonprofit organizations may make it more costly and difficult or impossible for HIS Fund to offer and sell its debt obligations in the future. Such changes could affect the financial stability HIS Fund.

## **FORWARD-LOOKING STATEMENTS**

Throughout this Prospectus, we may make statements about possible future events or occurrences. These forward-looking statements are identifiable by words or phrases indicating that particular events "may" or "will" occur or that we "expect," "anticipate," "project," "plan," "believe" or "intend" that a particular event may or will occur in the future or similarly stated expectations. These forward-looking statements are subject to many factors, including the above Risk Factors and the other information contained in this Prospectus that could cause actual results to differ materially from the stated expectations. We undertake no obligation to update or revise any forward-looking statements to reflect developments or information obtained after the date of this Prospectus.

## USE OF PROCEEDS

Notes	\$100,000,000
Estimated Expenses	\$95,000
Net Proceeds	\$99,905,000

It is anticipated that the expenses of this offering will be approximately \$95,000, including auditing (\$46,600), legal (\$33,400), and printing, filing fees and other costs (\$15,000), with all expenses being borne by HIS Fund. No underwriters are participating in the distribution of the Notes and no underwriting discounts or commissions will be paid in connection with this offering. The net proceeds from the sale of the Notes will be used to carry out the activities of HIS Fund, principally loan fund activities. HIS Fund makes loans to Assemblies of God church congregations or affiliated organizations for the purpose of acquiring, constructing or remodeling churches, parsonages or other church related projects and for financing other church-related needs within the District, including needs of the District Council itself. Loans may be made outside the District to the extent approved by the HIS Fund Board.

The sale of the Notes is primarily related to HIS Fund's need for loan funds while maintaining sufficient liquidity to pay interest and repay maturing Notes. HIS Fund does not presently require, nor does HIS Fund anticipate that it will require, any proceeds of this offering to meet interest payments on outstanding Notes; however, no assurance can be given that some portion of the proceeds from future sales will not at some time in the future be required to meet such interest payments.

### Investments

HIS Fund may invest its available funds that are not needed for loans or other expenses either directly or through mutual funds in cash and cash equivalents, certificates of deposit, money market funds, fixed income investments, equity securities and other investments it deems suitable. Investment composition was as follows at December 31, 2016, 2015 and 2014:

	<b>2016</b>		<b>2015</b>		<b>2014</b>	
	<b>Carrying Value</b>	<b>% of Total</b>	<b>Carrying Value</b>	<b>% of Total</b>	<b>Carrying Value</b>	<b>% of Total</b>
Equity securities	\$2,222,915	21.19%	\$3,714,704	38.97%	\$ 2,773,756	30.38%
Beneficial interest in net assets of affiliate	2,962,619	28.24%	2,577,444	27.04%	2,935,754	32.15%
Mutual Funds - Fixed income	1,600,387	15.25%	-	0.00%	596,701	6.54%
Money market	3,705,750	35.32%	3,198,406	33.55%	2,259,176	24.74%
Fixed Income Debt Securities	-	0.00%	-	0.00%	509,874	5.58%
Interest in Limited partnership	-	0.00%	42,034	0.44%	54,823	0.60%
	\$10,491,671	100.00%	\$9,532,588	100.00%	\$9,130,085	100.00%

Aggregate realized and unrealized gains (losses) for 2016, 2015 and 2014 were \$549,681, (323,253) and \$(159,443), respectively.

HIS Fund may invest, directly or indirectly, and from time to time, in various secured and unsecured debt or other obligations issued in connection with programs operated by other Assemblies of

God related organizations or other faith-based organizations. HIS Fund has invested and may invest in the future in investment vehicles investing in church loans, including, without limitation, a special purpose trust operating a loan program serving international and domestic faith-based ministries and churches, and in a limited partnership investing in church-related loans. From time to time, investment in these other programs may be attractive due to their favorable interest rates and the relatively low returns offered by other investments. See Risk Factor #9 under “RISK FACTORS.”

As of December 31, 2016 and December 31, 2015, outstanding unsecured investments in connection with other programs (“beneficial interest in net assets of affiliate and limited partnership interest” in the above table) totaled \$2,962,619 and \$2,619,478, respectively, representing approximately 1.7% and 1.7%, respectively, of HIS Fund’s total assets as of such date.

As of December 31, 2016 and 2015, \$2,962,619 and \$2,577,444, respectively, was invested through a special purpose trust (referred to as “beneficial interest in net assets of affiliate”) of which HIS Fund is now effectively the sole beneficiary that makes loans to overseas churches, international para-church ministries, micro-economic development projects and some domestic church and church-related loans. The trustee of this trust is Wisdom Over Wealth, LLC.

As of December 31, 2016 and December 31, 2015, HIS Fund had accounts through the Assemblies of God Credit Union (“cash and cash equivalents” in the Financial Statements included as Appendix A) that totaled \$8,311,402 and \$8,302,578, respectively, representing approximately 4.7% and 5.5%, respectively, of HIS Fund’s total assets as of such date.

For further information on investments, see the Financial Statements included as Appendix A, especially Notes 2 and 3 to the Financial Statements. See also Risk Factors #8 and #9 under “RISK FACTORS.”

The principal persons responsible for investment decisions of HIS Fund are its Chairman and President, Philip Bongiorno, and its Chief Executive Officer and Chief Financial Officer, Michael T. Bongiorno. Neither of these individuals has any experience in fund or investment management other than their work on behalf of HIS Fund and the predecessor loan fund of the District Council. For additional information on these individuals and the other managers of HIS Fund, see “MANAGEMENT.”

## CAPITALIZATION

	December 31, 2016 <u>Actual</u>	December 31, 2016 <u>Pro Forma</u>
Short and Long-Term Borrowings:		
Investment Notes and other Obligations	\$164,714,500	\$164,714,500
Anticipated Sales of New Notes <sup>1</sup>	<u>-</u>	<u>29,800,000</u>
Net Short and Long-Term Borrowings	<u>164,714,500</u>	<u>194,514,500</u>
Net Assets:		
Unrestricted Net Assets	12,300,722	12,300,722
Temporarily Restricted Net Assets	<u>-</u>	<u>-</u>
Total Net Assets	<u>12,300,722</u>	<u>12,300,722</u>
Total Capitalization	<u><u>\$177,015,222</u></u>	<u><u>\$206,815,222</u></u>

1. Based on historical experience, of the total \$100,000,000 of Notes offered nationwide, approximately \$29,800,000 of the total offered will be sold as new sales of Notes providing new cash. This does not include transfers from one note to another.

2. Represents the sum of Net Short and Long-Term Borrowings (including anticipated sales of new Notes), Total Unrestricted Net Assets and Temporarily Restricted Net Assets.

The above table assumes the anticipated new sales from the offering occurred at one time as of December 31, 2016 and does not take into account the anticipated redemption of demand and maturing Term Notes during the 12 month period, which are anticipated to be approximately \$13,800,000 based on historical experience. In addition to Term Notes, HIS Fund had outstanding Demand Notes totaling \$12,793,849 at December 31, 2016.

## SELECTED FINANCIAL INFORMATION

The following historical information is derived from HIS Fund's audited financial statements for 2016, 2015, 2014, 2013, and 2012 and should be read in conjunction with information set forth elsewhere in this Prospectus, including the financial statements included as Appendix A to this Prospectus. See "GENERAL."

### Year Ended December 31,

	2016	2015	2014	2013	2012
Cash, Cash Equivalents and Readily Marketable Securities (combined)	\$34,822,890	\$27,193,026	\$17,178,612	\$17,928,783	\$21,762,275
Total Loans Receivable, net	\$137,750,322	\$119,225,484	\$108,805,583	\$90,559,847	\$69,696,492
Loan Delinquencies (principal or interest delinquent 90 days or more) as Percentage of Loans Receivable	0.00%	0.00%	0.00%	0.00%	0.30%
Amount and Percent of Unsecured Loans Receivable	\$28,214 0.02%	\$194,082 0.16%	\$172,050 0.16%	\$196,913 0.22%	\$685,546 0.98%
Total Assets	\$177,027,529	\$150,444,950	\$130,400,922	\$113,185,729	\$96,755,129
Total Notes Payable	\$164,714,500	\$139,551,674	\$120,378,407	\$103,989,664	\$88,850,364
Amount of Notes Redeemed During the Fiscal Year	\$16,248,058	\$14,247,367	\$10,780,924	\$11,689,114	\$11,470,727
Net Assets	\$12,300,722	\$10,873,593	\$10,008,680	\$9,187,403	\$7,898,634
Change in Net Assets	\$1,427,129	\$864,913	\$821,277	\$1,288,769	\$1,461,319



## FIVE-YEAR SUMMARY OF FINANCIAL INFORMATION

A summary of revenues and gains, expenses and losses, and other net increase (decrease) in net assets for the years 2012 through 2016 is set forth below. This information is derived from HIS Fund's audited financial statements for the period included as Appendix A to this Prospectus.

	<u>Revenues and Gains</u>	<u>Expenses and Losses</u>	<u>Change in Net Assets</u>	<u>Net Assets at Year End</u>
2016	\$8,576,136	\$7,149,007	\$1,427,129	\$12,300,722
2015	\$7,319,963	\$6,455,050	\$864,913	\$10,873,593
2014	\$6,540,121	\$5,718,844	\$821,277	\$10,008,680
2013	\$6,247,672	\$4,958,903	\$1,288,769	\$9,187,403
2012	\$6,121,328	\$4,660,009	\$1,461,319	\$7,898,634

## HERITAGE INVESTMENT SERVICES FUND, INC.

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### \$100,000,000 UNSECURED PROMISSORY NOTES

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#### GENERAL

##### **Heritage Investment Services Fund, Inc.**

Heritage Investment Services Fund, Inc. (“Heritage Investment Services Fund” or “HIS Fund”) is a Pennsylvania nonprofit corporation established by the Pennsylvania-Delaware District Council of the Assemblies of God (the “District Council” or the “District”) on September 17, 2007 to be the successor to the assets, liabilities and operations of the church extension loan fund operated by the District Council since 1981. On July 1, 2008, HIS Fund succeeded to all of the predecessor loan fund’s assets and liabilities, and assumed operation of this loan fund from the District Council. HIS Fund’s registered office and principal place of business is at 3 Kacey Court, Suite 101, Mechanicsburg, Pennsylvania 17055. HIS Fund’s telephone number is (717) 796-9784 (or toll-free at 1-866-219-0820) and its website address is [www.hisfund.com](http://www.hisfund.com).

**HIS Fund is a separate legal entity from the District Council and is not owned by the District Council. The District Council has no direct or indirect liability for nor does it guarantee the Notes offered and sold by HIS Fund or any other liabilities of HIS Fund.**

HIS Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and also qualified to receive tax deductible bequests, transfers or gifts. The mission of HIS Fund is to assist, further and support the religious work and ministries of the Assemblies of God throughout the territories served by the District Council and, to the extent approved by HIS Fund’s Board of Directors, outside the geographical boundaries of the District Council. Its principal activity is operating a church extension loan fund. HIS Fund may also provide financial planning and advice, financial management, stewardship, planned giving and similar services to the Assemblies of God, including, without limitation, the District Council and its affiliated institutions, agencies, organizations and congregations.

Heritage Investment Services Fund is managed under the direction of its Board of Directors, comprised of between 3 and 9 members. The Superintendent and Secretary-Treasurer of the District Council are ex officio voting members of the HIS Fund Board. Persons to fill vacancies on the HIS Fund Board will be elected by the then current HIS Fund directors.

Normally, approval by a majority of the directors present at a meeting will be necessary for the HIS Fund Board to take action. However, amendment of the Bylaws or Articles of Incorporation or a merger or similar fundamental transaction will require the affirmative vote of 2/3 of the directors in office, plus the consent of the Executive Presbytery of the District Council.

Under the HIS Fund Bylaws, the Executive Presbytery of the District Council has the right to receive an annual financial report from HIS Fund and such other reports and information as it may reasonably request from time to time.

## **Pennsylvania-Delaware District Council**

The Pennsylvania-Delaware District Council of the Assemblies of God (the “District Council” or the “District”) is a Pennsylvania nonprofit corporation with offices in Mechanicsburg, Pennsylvania. The District Council was initially incorporated under the laws of the Commonwealth of Pennsylvania on June 12, 1935 under the name “Eastern District Council of the Assemblies of God.” The geographic territory of the District Council includes the State of Delaware and the Commonwealth of Pennsylvania.

The District Council is organized and operated exclusively for religious purposes. It does not have or issue stock or have shareholders; pays no dividends; and no part of the income of the District Council may be distributed to its members, officers or directors, except as reasonable compensation for services rendered. The Internal Revenue Service has determined that the District Council is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

The governing form of the District Council is basically Presbyterian and Congregational. The churches come under the Congregational form of government. The ministers are controlled by the Presbyterian form of government. Governance within the Assemblies of God denomination is accomplished at three levels: nationally, through the General Council of the Assemblies of God (the “General Council”), with headquarters in Springfield, Missouri; regionally, at the district council level; and locally, at the local congregational level. The ultimate authority of the church in policy and doctrine is vested in the General Council which is comprised of General Presbyters which are representative of all the various segments of the church. The basic unit of local government is the congregation which has self-governing privileges in accordance with the District Council’s authority.

To facilitate and keep uniform church policy and doctrine, the denomination is divided into regional conferences or districts each of which is independent and distinct from the other in regard to its regional territory and local congregations. Each district council is a separate, distinct and autonomous nonprofit corporation. Generally the purpose of each district council is to develop new congregations, help find suitable pastors, certify the standing of ministers and aid pastors and congregations in achieving their own purposes in accordance with church policy and doctrine. The Pennsylvania-Delaware District Council is the district council for the State of Delaware and the Commonwealth of Pennsylvania.

The District Council meets on an annual basis and is made up of ordained ministers, licensed ministers and Christian workers, local assemblies and the voting constituency of the District Council (i.e., all persons present and registered at the District Council annual meeting holding credentials from the District Council or who are accredited delegates from affiliated Assemblies of God churches). The general oversight of the activities of the District Council is the responsibility of the Executive Presbytery, which is made up of the officers of the District Council which are a superintendent (president), assistant superintendent (vice president), secretary/treasurer and sectional Presbyters. The Executive Presbytery functions as the District Council’s Board of Directors.

The Executive Presbytery is elected by the District Council for terms of one year and the terms of approximately twelve of the Executive Presbytery expire each year. The executive officers (superintendent, assistant superintendent, secretary/treasurer) are elected to four year terms. Vacancies on the Executive Presbytery are filled by election. Although an Executive Presbyter is elected for a term of one year, an Executive Presbyter may be removed at any time for cause by a vote of the Executive Presbytery.

District Council participation statistics for the available past five years are as follows:

<u>Year</u>	<u>Number Of Churches</u>	<u>Average Aggregate Attendees</u>	<u>% Increase (Decrease) Over Prior Year</u>
2011	368	115,803	12.83%
2012	383	115,979	0.00%
2013	395	116,788	0.70%
2014	417	113,660	(2.68)%
2015	434	123,703	8.80%

### **LENDING ACTIVITIES**

HIS Fund conducts church extension loan activities to assist, further and support the religious work and ministries of the Assemblies of God, in the territories served by the District Council and outside of those territories to the extent approved by the HIS Fund Board. See “GENERAL – Heritage Investment Services Fund, Inc.” The following discussion of lending activities relates to the church extension lending activities of HIS Fund, excluding HIS Fund’s investments in loan fund programs of other organizations or in investment vehicles making or investing in church-related loans. See “USE OF PROCEEDS – Investments” and Note 4 to HIS Fund’s audited financial statements included as Appendix A.

#### **Loans**

In addition to the sale of the Notes, HIS Fund generates funds for operations through interest received with respect to outstanding loans and interest and investment income from cash reserves and other investments. The term of loans, including applicable interest rate, are established at the discretion of HIS Fund. In the years ending December 31, 2016 and 2015, income from interest on loans was \$7,612,274 and \$6,920,356, respectively, while its income on cash and other investments was \$313,129 and 291,742, respectively. In 2016 and 2015, loans were made in the aggregate principal amount of \$29,322,486 and 22,333,788, respectively. At least ninety percent (90%) of HIS Fund’s outstanding loans will be secured by real or personal property or guaranteed by third parties. As of December 31, 2016, \$138,951,188 or 99.98% of the \$138,979,402 outstanding loans were secured by real or personal property or guaranteed by third parties.

As of December 31, 2016, HIS Fund had outstanding 212 loans. Of these loans, only two (2) were unsecured loans with an aggregate principal balance of \$28,214 as of December 31, 2016, each of which were under \$25,000.

In the years ended December 31, 2016 and December 31, 2015, principal repayments on loans were received by HIS Fund in the aggregate amount of \$10,394,472 and \$11,793,887, respectively.

The following is a summary of the scheduled aggregate principal repayments of outstanding loans as of December 31, 2016:

<u>Year</u>	<u>Scheduled Principal Repayments at 12/31/16</u>
2017	\$ 15,325,729
2018	2,832,613
2019	2,880,737
2020	2,971,348
2021 and after	114,968,975
Allowance for Loan Losses	(1,112,000)
Deferred Origination Fees, net	<u>(117,080)</u>
Net Loans Receivable	<u>\$ 137,750,322</u>

The following table shows the range of outstanding principal balances of loans outstanding as of December 31, 2016 (separate loans to the same borrower are not aggregated for purposes of this table):

<u>Outstanding Principal Balance 12/31/2016</u>	<u>Number of Loans</u>
Under \$25,000	16
\$25,000 - \$99,999	28
\$100,000 - \$499,999	91
\$500,000 - \$999,999	40
\$1,000,000 - \$2,999,999	31
\$3,000,000 and above	<u>6</u>
	<u>212</u>

The following table shows loans from HIS Fund with an outstanding principal balance of \$1,000,000 or more as of December 31, 2016, all of which are secured by a mortgage, and the maturity date, current monthly payment and principal balance thereof (separate loans to the same borrower are not aggregated for purposes of this table):

<b>Loan Type</b>	<b>Maturity date</b>	<b>Regular payment</b>	<b>Loan balance</b>
Church	5/10/2042	\$ 6,767.64	\$ 1,037,658.46
Church	3/29/2041	\$ 7,457.16	\$ 1,043,930.74
AG Ministry	10/16/2044	\$ 6,271.23	\$ 1,069,332.88
Church	4/10/2042	\$ 7,165.89	\$ 1,080,389.30
Church	8/2/2046	\$ 6,594.37	\$ 1,125,218.35
Church	12/7/2046	\$ 7,092.39	\$ 1,134,980.08
Church	4/24/2045	\$ 6,989.98	\$ 1,148,159.67
Church	2/16/2046	\$ 7,310.74	\$ 1,179,502.92
Church	7/14/2046	\$ 7,288.71	\$ 1,210,973.79
Church	5/13/2046	\$ 7,692.78	\$ 1,280,900.36

Church	12/23/2045	\$	7,752.42	\$	1,283,451.05
Church	3/24/2046	\$	7,859.76	\$	1,306,597.52
Church	8/1/2044	\$	7,878.23	\$	1,307,987.10
Church	11/4/2046	\$	7,871.68	\$	1,318,780.61
Church	11/22/2045	\$	7,610.52	\$	1,325,364.08
Church	11/21/2046	\$	8,796.01	\$	1,473,397.63
Church	11/5/2043	\$	9,539.88	\$	1,534,520.02
Church	2/22/2042	\$	10,193.98	\$	1,667,438.23
Church	9/1/2036	\$	12,326.81	\$	1,690,742.26
Church	9/25/2045	\$	10,272.73	\$	1,696,243.82
Church	11/10/2046	\$	9,920.74	\$	1,700,000.00
Church	2/21/2043	\$	11,991.01	\$	1,893,064.21
Church	4/23/2037	\$	12,721.43	\$	1,941,845.78
Church	5/17/2046	\$	12,224.96	\$	2,036,201.93
Church	3/31/2031	\$	17,936.86	\$	2,098,285.80
Church	8/28/2045	\$	13,135.86	\$	2,232,764.45
Church	7/6/2047	\$	11,186.18	\$	2,256,036.48
Church	11/16/2041	\$	15,054.71	\$	2,315,958.75
Church	9/29/2041	\$	16,163.21	\$	2,497,746.16
Church	6/25/2043	\$	16,194.15	\$	2,633,405.05
Church	11/13/2044	\$	16,923.61	\$	2,813,830.51
Church	7/27/2042	\$	19,350.42	\$	3,043,750.91
Church	12/14/2041	\$	21,276.34	\$	3,313,508.63
AG Ministry	6/30/2018	\$	23,417.75	\$	5,620,260.45
Church	12/21/2044	\$	37,637.62	\$	6,277,204.45
Church	6/18/2045	\$	44,169.62	\$	7,422,044.50
Church	11/10/2045	\$	51,822.10	\$	9,079,144.40

HIS Fund is dependent on loan fund operations as a source of funds for the repayment of principal and interest on the Notes. Repayment of loans by borrowers depends on the financial condition of the borrowers. To the extent HIS Fund is dependent upon funds other than operating income to repay principal and interest on outstanding obligations, and to the extent that existing investors do not extend their investments or renew their investments in amounts as substantial as has been the case in the past, there may be an effect on HIS Fund's financial condition and it may be necessary to redeem certain of its investments or obtain funds from other sources, including borrowings to meet current cash needs. It may be noted, however, that since the Loan Fund's organization in 1981, a payment of principal or interest by HIS Fund (or its predecessor loan fund) on any of the Notes has never been missed.

In attracting borrowers, HIS Fund competes with banks, other church extension loan funds and other lenders which from time to time may offer a borrower or potential borrower from HIS Fund more attractive loan terms than HIS Fund. See Risk Factor #24 under "Risk Factors." Borrowers are generally free to repay loans prior to maturity without penalty, unless otherwise provided in loan documentation at the time a loan is made.

As of December 31, 2016 and December 31, 2015, there were zero (0) outstanding loans made by HIS Fund (including the predecessor loan fund) that were delinquent (i.e., more than 90 days overdue) in agreed upon payment of either interest or principal. See “Allowance for Loan Losses.” HIS Fund frequently adjusts loan terms for its borrowers who are having difficulty making otherwise scheduled payments. Because of the nature of its ministry HIS Fund is frequently willing to consider agreeing to revised loan terms or refinancing on revised terms when a borrower encounters difficulties meeting loan obligations. So long as the borrower meets the revised loan terms it is not considered to be in default. As of December 31, 2016 and 2015, there were one (1) and two (2) outstanding loans, respectively, that HIS Fund considered “impaired”. A loan is considered impaired when, based on current information and events, it is probable that HIS Fund will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan. See “Allowance for Losses on Notes Receivable” in Note 4 of the Audited Financial Statements included as Appendix A in the Prospectus.

It is the purpose of HIS Fund to aid its borrowers in every instance to meet their obligations without foreclosure. HIS Fund may also work with units of the church, which, although not obligated to do so, may be willing to aid a financially distressed church to repay its indebtedness. No assurance can be given that HIS Fund will be able or willing to refinance or accommodate all borrowers who may in the future become delinquent.

### **Loan Policies and Processing**

Terms of loans, including applicable interest rates and amortization schedule, are established at the discretion of HIS Fund. Interest rates may be variable or fixed. Interest rates of loans are determined in the discretion of HIS Fund. The term of most new loans range from 15 to 30 years. Some loans may be interest only for all or part of their term. Some loans may have a balloon payment due at the end of the stated amortization period or term.

Generally, loans will be made to a congregation only after investigation of the organization’s giving pattern and resources has established to HIS Fund’s satisfaction the congregation’s commitment to the program, potential for future growth, and its overall ability to meet principal and interest payments when due. Secured loans generally do not exceed approximately 80% of the appraised value of the completed project, although where a congregation has demonstrated exceptional commitment to its building program, as for example, written pledges from most of its members sufficient to cover the increased giving required or there is a guarantee, an exception may be made. Generally, loans to borrowers above \$50,000 will be secured by a mortgage or deed of trust in favor of the issuer in real property with a fair market value appraised at not less than the full amount of the loan. In addition, with respect to real property secured loans, HIS Fund generally requires customary lender protection for loans to third-party borrowers over \$50,000, such as title insurance or an opinion of counsel as to the validity of title and an adequate property insurance policy.

All of these requirements may be established, amended and waived from time to time by HIS Fund in its discretion.

At times loans have been made which are not secured by a mortgage on the real property of the borrower or by other collateral, including a guarantee. Such unsecured loans had aggregate outstanding balances of \$28,214 and \$194,082 at December 31, 2016 and December 31, 2015, respectively. The

\$28,214 in unsecured loans outstanding as of December 31, 2016 represented a total of two (2) loans, each of which were under \$25,000. In the discretion of HIS Fund, some loans may require ratification by the Executive Presbytery of the District Council or another Assemblies of God district.

HIS Fund receives loan requests from churches and other organizations at its principal offices in Mechanicsburg, Pennsylvania. HIS Fund may engage individuals to serve as local loan representatives to promote HIS Fund's loans to churches and to assist local churches in the preparation of loan applications. After loan applications are properly filed, HIS Fund will review applications and documentations, and issue commitments for loans, subject to the approval and ratification by HIS Fund's Board of Directors.

### **Allowance for Loan Losses**

The allowance for loan losses represents management's estimate of losses inherent in the Loan portfolio at the end of each year. As of December 31, 2016 and 2015, HIS Fund management estimated its allowance for loan losses on loans it or its predecessor loan fund made at \$1,112,000 and \$720,000, respectively. The allowance as of December 31, 2016 consists of a general component that covers all loans not considered impaired and a specific loan component of \$0.

The determination of an allowance for loan losses is based on the risk characteristics of the portfolio of loans, past experience, HIS Fund's ability to work with delinquent borrowers through other units of the Church, and other factors considered relevant. See "Allowance for Losses on Notes Receivable" in Note 1 and Note 4 to the Financial Statements included as Appendix A.

## **DESCRIPTION OF SECURITIES**

### **General**

The Demand Notes and Term Notes offered hereby are unsecured obligations of Heritage Investment Services Fund. HIS Fund does not anticipate that it will have any material activities other than loan fund-related activities and investment activities. HIS Fund makes unsecured and secured loans to Assemblies of God congregations and affiliated organizations for the purpose of financing the acquisition, construction, remodeling and/or furnishing of churches, parsonages or other capital projects or needs of the Assemblies of God and affiliated institutions, agencies, organizations and congregations throughout the territories served by the District and, to the extent approved by HIS Fund's Board of Directors, outside the geographical boundaries of the District. See "GENERAL – Heritage Investment Services Fund, Inc." and "LENDING ACTIVITIES."



The purchase price of the Notes is one hundred percent (100%) of the face value. The minimum initial investment for any Note is \$500. The Notes are offered for cash and no financing terms are offered. Notes with the following maturities were available for purchase as of April 24, 2017:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Interest Rate as of April 24, 2016</u>	<u>Minimum Principal Amount</u>
Demand Plus 30 Days	Variable	2.25%	\$500
6 month Term Note	Fixed at time of sale	2.50%	\$500
1 year Term Note	Fixed at time of sale	2.75%	\$500
2-1/2 year Term Note	Fixed at time of sale	3.00%	\$500
4 year Term Note	Fixed at time of sale	3.25%	\$500
5 year Term Note	Fixed at time of sale	4.00%	\$500
Ministry Rate Term Note*	Fixed at time of sale	N/A*	\$500

\*Minimum three year maturity; interest rate depends on initial interest rate of related church loan. See “Ministry Rate Term Notes and Matching Funds Loan Program.”

The initial interest rate on all Notes will depend on effective interest rates at the time of purchase. Demand Notes pay interest at a variable interest rate, which is subject to change, from time to time, in the discretion of HIS Fund. At least thirty (30) days prior to any decrease in the interest rate of a Demand Note, HIS Fund will notify the holder of such change. Currently, no notice is provided to investors if the interest rate payable on Demand Notes increases other than a posting of the increased interest rate on HIS Fund’s website. Term Notes pay interest at a rate fixed at the time of issuance. HIS Fund may establish, from time to time, higher rates of interest that would apply to Term Notes with higher initial investment amounts or as an incentive to new investors. In addition, HIS Fund may offer Ministry Rate Term Notes with a minimum three year term with the interest rate tied to the interest rate of a specific congregation loan. See “Ministry Rate Term Notes and Matching Funds Loan Program” below. Interest rates are reviewed from time to time in the discretion of HIS Fund. HIS Fund has the responsibility for setting interest rates and does so based on its judgment of market conditions at a particular time.

Investors may allow interest to remain on deposit or they may request monthly, quarterly (every three months), semi-annual (every six months) or annual (every 12 months) distribution of interest. Notes pay simple interest unless the investor has elected to have interest remain on deposit with HIS Fund, in which case interest is compounded on a quarterly basis (every three months) on the basis of a 365-day year. The interest payment or compounding period is currently based on the specified number of months (1, 3, 6 or 12 months, as applicable) from the end of the month of purchase with the first interest payment or redeposit occurring as of the end of the month of purchase. HIS Fund reserves the right to adjust this method in its discretion. HIS Fund may, in its sole discretion, redeem any Note, at any time, including prior to the stated maturity of a Term Note or at maturity, by paying the outstanding principal balance thereof and all accrued interest.

Investors with an outstanding Demand Note must provide HIS Fund with a 30-day prior written notice of withdrawal. Investors with an outstanding Demand Note may deposit additional principal at any time. For Term Notes, investors may deposit additional principal to the Term Note at any time so long as at the time of the addition HIS Fund is offering new Term Notes of the same maturity and with an interest rate equal to the interest rate on the Term Note to which the addition is to be made. The

minimum amount of any additional deposit to a Term Note is \$100. An investor may only make an additional deposit to an outstanding Note if the investor is eligible to invest in HIS Fund Notes at the time of the additional deposit. HIS Fund may decline additional deposits at any time in its discretion.

Investors with a large number of Notes impose an added administrative burden on HIS Fund. Therefore, HIS Fund, in its discretion, may limit the number of Notes an investor may hold. Any limitation will be applied separately to Notes purchased for an IRA.

The historical rates of interest on the Notes as of the specified dates during the last two years are set forth below. Rates for Term Notes are the rates effective for Term Notes issued on the indicated date.

Historical Interest Rates

<u>Issue Date</u>	<u>Demand plus 30 days</u>	<u>6 months</u>	<u>1 year</u>	<u>2-1/2 years</u>	<u>4 years</u>	<u>5 years</u>
4/1/17	2.25%	2.50%	2.75%	3.00%	3.25%	4.00%
1/1/17	2.25%	2.50%	2.75%	3.00%	3.25%	4.00%
10/1/16	2.25%	2.50%	2.75%	3.00%	3.25%	4.00%
7/1/16	2.25%	2.50%	2.75%	3.00%	3.25%	4.00%
4/1/16	2.25%	2.50%	2.75%	3.00%	3.25%	4.00%
1/1/16	2.25%	2.50%	2.75%	3.00%	3.25%	4.00%
10/1/15	2.25%	2.50%	2.75%	3.00%	3.25%	4.00%
7/1/15	2.25%	2.50%	2.75%	3.00%	3.25%	4.00%
4/1/15	2.25%	2.50%	2.75%	3.00%	3.25%	4.00%
1/1/15	2.25%	2.50%	2.75%	3.00%	3.25%	4.00%

In the discretion of HIS Fund, there may be periods of time when certain maturities specified above are not offered. The interest rate on Ministry Rate Term Notes depends on the related congregational loan. See “Ministry Rate Term Notes and Matching Funds Loan Programs” below.

Upon expiration of the maturity period of a Term Note (other than a Ministry Rate Term Note) and unless HIS Fund redeems the Note, a holder may either redeem the Term Note for the face amount thereof, plus accrued interest, renew the Note for an additional like term at the then current rate of interest being offered for such maturity, or reinvest (roll over) the Note to a new Note with a different maturity and interest rate. There is no limit to the number of times a Term Note (other than a Ministry Rate Term Note) may be renewed or reinvested. At least thirty days prior to the maturity date of the Term Note, HIS Fund will notify the holder of the maturity date, the proposed renewal terms, and provide the holder with the most current Prospectus. If the holder of a maturing Term Note notifies HIS Fund in writing on or prior to the maturity date that the holder elects not to extend or roll over the Note, then at maturity, HIS Fund shall promptly repay the principal and interest accrued thereon. Ministry Rate Term Notes will not renew; however, an investor may elect to reinvest (roll over) all or part of the balance of the maturing Note by submitting a purchase application for a new Note.

The Notes are subject to restrictions on withdrawal and transfer and HIS Fund, in its discretion, may impose penalties and request processing fees as a condition to agreeing to an investor's request to redeem a Note prior to maturity or, in case of a Demand Note, prior to expiration of the 30-day notice period prior to withdrawal. **An investor does not have the right to require HIS Fund to agree to an early withdrawal.** See "Restrictions on Withdrawal and Transfer; Penalty and Fee on Voluntary Redemption."

HIS Fund began to issue Notes only in book entry form during 2011. When Notes are issued in book entry form, HIS Fund will send the investor written confirmation of issuance but a physical note will not be issued.

HIS Fund routinely makes all payments to investors (principal and interest) by direct deposit to an account at a financial institution designated by the investor. HIS Fund reserves the right to make payments by check in its discretion or upon agreement with the investor.

Holders of the Notes offered hereby will be unsecured creditors of HIS Fund. The Notes are not secured by any specific assets and payment is made from operating revenues of HIS Fund. Failure of HIS Fund to pay principal and/or interest when due as required will be an event of default by HIS Fund, but only as to that Note. Since the establishment of the predecessor loan fund in 1981, there has never been a default in payment of principal or interest on any Note. In the event of liquidation or any distribution of assets upon bankruptcy, reorganization or similar proceedings with respect to HIS Fund, all unsecured debt obligations of HIS Fund issued to the investors, including the Notes, will have an equivalent claim to HIS Fund's assets.

HIS Fund may from time to time offer additional evidences of indebtedness without notifying or obtaining the consent of the holders of the Notes offered hereby. HIS Fund does not contemplate that any subsequent offering to investors of its evidences of indebtedness will be secured obligations and hence senior to the securities offered hereby. No assurance can be given, however, that HIS Fund will not at some future date issue secured obligations which will have a prior claim to the assets of HIS Fund than the Notes. As of December 31, 2016, HIS Fund had no outstanding mortgage loans or mortgage notes payable, or other outstanding secured indebtedness, which had a superior claim to HIS Fund's assets over the Notes; however, as of December 31, 2016, HIS Fund had a \$10 million line of credit with Fulton Bank that is secured by a pledge of certain of HIS Fund's loan or note receivables and related documentation. This line of credit did not have any amount outstanding as of December 31, 2016. See Note 6 "Line of Credit" to the Financial Statements included as Appendix A.

So long as any of the Notes issued or assumed by HIS Fund remain outstanding, senior secured indebtedness of HIS Fund shall in no event exceed ten percent (10%) of HIS Fund's tangible assets.

The notes are not savings or deposit accounts or other obligations of a bank and are not insured by the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation, any state bank insurance fund or any other governmental agency. The Notes issued by HIS Fund are not obligations of, nor guaranteed by, the District Council, the Assemblies of God or by any other church, conference, institution or agency affiliated with the Assemblies of God other than HIS Fund.

HIS Fund may call and thereby redeem any or all of the Notes at any time by paying the principal amount and accrued interest thereon. Election by HIS Fund to call a Note shall be deemed given when written notice of said election is deposited in the United States mail addressed to the Note holder at such holder's last known address of record with HIS Fund, certified or registered mail, return

receipt requested, and postage prepaid. The Note holder shall deliver the Note to HIS Fund and at the time of such delivery, the principal and all accrued interest shall be paid. If a Note is called, interest shall accrue until the Note is delivered to HIS Fund or until sixty (60) days after such notice is given, whichever shall first occur. If a Note was issued in book entry form, the principal and all accrued interest shall be paid on the date of redemption.

The purchase of the Notes does not entitle the purchaser to an equity interest in HIS Fund or the right to vote on corporate matters brought before HIS Fund or its Board.

It is the current policy of HIS Fund to limit the number of joint tenants to whom a Note is registered to two (e.g., the primary account owner and one other person). See the Personal Note Purchase Application attached as Appendix B-1.

### **Ministry Rate Term Notes and Matching Funds Loan Program**

Factors that HIS Fund considers when committing to make a loan to an eligible church or other organization include, among others, available funds and the rate that HIS Fund can earn on its invested funds. HIS Fund may, from time to time, agree with a church eligible to borrow from HIS Fund (a "Borrowing Church") to lend funds to the Borrowing Church in an amount and at an interest rate that takes into consideration investments in Ministry Rate Term Notes by the Borrowing Church or otherwise eligible investors in HIS Fund Notes who are members of or participants in the Borrowing Church or have some other affiliation or relationship with the Borrowing Church ("Matching Fund Participants").

By investing in Ministry Rate Term Notes, Matching Fund Participants support the project of the Borrowing Church that is to be financed, in whole or in part, with a loan from HIS Fund, by making it possible for HIS Fund to make a loan to the Borrowing Church in a higher amount or at a lower interest rate than HIS Fund would do otherwise.

The terms of Ministry Rate Term Notes will be the same as the other Term Notes offered and sold by HIS Fund described in this Prospectus, except as follows:

1. The maturity date of a Ministry Rate Term Note will be the later of (i) the third to fifth anniversary of the date of the Note, as determined by HIS Fund at the time of sale, and (ii) the third to fifth anniversary of the closing (funds disbursement) date of the Borrowing Church's loan from HIS Fund, as determined by HIS Fund at the time of sale.
2. The interest rate on a Ministry Rate Term Note purchased by the Borrowing Church's Matching Fund Participants will be a rate that is not more than 2.50% less than the initial interest rate on the Borrowing Church's loan from HIS Fund. For example, if the initial interest rate on the loan to the Borrowing Church is 5.5%, the rate on the related Ministry Rate Term Notes will be no less than 3.00% (5.5% minus 2.50%). This rate will be established by HIS Fund in its discretion prior to the offer and sale of the Ministry Rate Term Notes related to a Borrowing Church's loan and will be set forth in a rate notice that will accompany this Prospectus. If the contemplated loan to the Borrowing Church is not made within 6 months after the sale of a Ministry Rate Term Note to the investor, the interest rate on the Ministry Rate Term Note will become a variable rate equal to the variable rate applicable to the then outstanding Demand Notes issued by HIS Fund.

3. If the interest rate on the Ministry Rate Term Note becomes the variable interest rate payable on Demand Notes issued by HIS Fund because the loan to the Borrowing Church was not made within 6 months of the date of the Note, there will be no restrictions on withdrawals (other than the required 30-day prior written notice of withdrawal) and no penalties on early withdrawal.
4. As is the case with other Term Notes, a holder of a Ministry Rate Term Note may redeem the Note at maturity. A Ministry Rate Term Note will not automatically roll over into another Ministry Rate Term Note and the balance of the Note will be paid out to the holder at maturity unless the holder elects to reinvest by submitting a purchase application for a new Note. HIS Fund will notify the holder of a Ministry Rate Term Note at least thirty (30) days prior to a Note's maturity date and provide the holder with the most current Prospectus.
5. No early withdrawals from a Ministry Rate Term Note will be permitted while the Borrowing Church's loan from HIS Fund is outstanding. HIS Fund may waive this restriction with respect to any or all holders of Ministry Rate Term Notes in its discretion; however, it does not have any present plans to do so. See "DESCRIPTION OF SECURITIES – Restrictions on Withdrawal and Transfer; Interest Penalty on Voluntary Redemption" in the accompanying Prospectus for further information on withdrawals and penalties.
6. As is the case with all of the Notes HIS Fund offers, HIS Fund may call and thereby redeem any or all of the Notes at any time by paying the principal amount and accrued interest thereon. See "DESCRIPTION OF SECURITIES – General." HIS Fund may call and redeem, in whole or in part, any or all of the Ministry Rate Term Notes related to a particular Borrowing Church. One situation in which HIS Fund might utilize this right is if a Borrowing Church makes prepayments on its outstanding loan from HIS Fund. In such a situation, HIS Fund may determine that, in light of the then prevailing interest rate environment, it is advisable for HIS Fund to redeem, in whole or in part, the Ministry Rate Term Notes issued in connection with the Borrowing Church's loan from HIS Fund in order to reduce HIS Fund's interest expense.

Ministry Rate Term Notes are not pledged as security for the loan to the Borrowing Church and HIS Fund will not have any rights against a holder of a Ministry Rate Term Notes or any lien or security interest in the Ministry Rate Term Notes in the event the Borrowing Church defaults on its obligations to HIS Fund with respect to the loan. It is possible that Ministry Rate Term Notes may, under certain circumstances, constitute "below-market" rate loans subject to the imputed interest rules of the IRS. See "Tax Considerations."

There were no Ministry Rate Term Notes outstanding as of December 31, 2016.

## **Restrictions on Withdrawal and Transfer; Penalty and Fee on Voluntary Redemption**

**The holder of a Note does not have a right to require HIS Fund to redeem a Note (i.e., permit early withdrawal) prior to the stated maturity date of a Term Note or, in the case of a Demand Note, prior to expiration of the Demand Note's required 30-day prior notice from the investor.**

HIS Fund may, in its sole discretion, refuse to permit any or all early withdrawals. In the case of the voluntary early redemption of Term or Demand Notes at the request of the holder, if HIS Fund permits early withdrawal, HIS Fund, in its discretion, may impose an interest penalty of up to one month's interest, not to exceed total interest earned, and a request processing fee not to exceed \$15.00. No interest penalty or request processing fee will be imposed if the early redemption is as a result of the death of the Note holder.

For Term Notes held in an IRA, HIS Fund will waive any redemption penalty for one withdrawal per year per IRA account owner made to fund a required minimum distribution for an account owner age 70 ½ or older. HIS Fund does not have an obligation to waive the early redemption penalty for any other withdrawals from Term Notes held in an IRA and any such waiver is in the sole discretion of HIS Fund. Therefore, an investor investing through an IRA anticipating the need to make a withdrawal from the IRA for reasons other than a required minimum distribution should invest in a Demand Note rather than a Term Note.

No withdrawals from a Ministry Rate Term Note will be permitted while the Borrowing Church's loan from HIS Fund is outstanding. HIS Fund may waive this restriction with respect to any or all holders of Ministry Rate Term Notes in its discretion; however, it does not have any present plans to do so.

**IN ORDER TO PROTECT THE INTEREST OF ALL INVESTORS, HIS FUND RESERVES THE RIGHT TO SUSPEND REDEMPTIONS OR POSTPONE THE DATE OF REPAYMENT FOR ANY PERIOD, NOT TO EXCEED THIRTY (30) DAYS, DURING WHICH AN EMERGENCY EXISTS AS DETERMINED BY HIS FUND EITHER BECAUSE OF EXCESSIVE REDEMPTIONS OR OTHERWISE.**

Notes are non-transferable, other than by will or inheritance, without the prior written approval of HIS Fund. In addition to any other conditions HIS Fund may impose, in its discretion, before approving the transfer of a Note, HIS Fund may require the transferee to provide satisfaction to HIS Fund that the transferee is a person whose primary interest in acquiring the Note is to assist in the objectives of HIS Fund, and at such transfer the transferee must acknowledge in writing that such transferee has received this or the then current Prospectus. Transfers other than by will or inheritance must be to persons who are, at the time of transfer, members of, contributors to or participants in the General Council of the Assemblies of God, the District Council or in any program, activity or organization which constitutes a part of the General Council, or the District Council or in other church organizations that have a programmatic relationship with the General Council or the District Council, and self-directed individual retirement accounts (including both regular and Roth individual retirement accounts, "IRAs") of such persons.

## **Tax Considerations**

Generally, purchasers of the Notes offered hereby will recognize neither gain nor loss for federal income tax purposes upon redemption of such securities, whether at or prior to maturity, nor will they receive a charitable deduction upon the purchase of a Note. Generally, for federal income tax purposes the interest paid or payable by HIS Fund on the Notes will be taxable as ordinary income to the holder, unless the holder is a tax-exempt organization. If interest is accrued over the life of the Note and is paid at withdrawal or termination, the holder must nevertheless report such interest as income on his or her federal income tax returns and state income tax returns, if applicable, ratably over the life of the security as it accrues.

Any Notes which would bear interest at “below-market” rates may fall within the imputed interest provisions of Section 7872 of the Internal Revenue Code, which, in some cases, impose tax liability on purchasers for the difference between market rates and the interest actually paid. The Internal Revenue Service has issued temporary and proposed regulations interpreting these provisions. The temporary regulations state that certain loans carrying “below market” rates of interest will be exempted from the imputed interest provisions of the Code. The exemptions include a gift loan to a charitable organization (described in Code section 170(c)) if, at no time during the taxable year, the aggregate outstanding amount of loans by the lender to that organization exceeds \$250,000. The rate of Ministry Rate Term Notes may, under certain circumstances, constitute “below market” rates under the IRS regulations (the investor in the Ministry Rate Term Notes would be viewed as the “lender” to HIS Fund for purposes of these regulations).

IRA account holders directing the investment of their IRA account assets in the Notes will generally not be taxed on the interest earned during the period a Note is held in the IRA account. The holder will be taxed at the time of the withdrawal. IRA account holders should consult applicable provisions of the Internal Revenue Code and related regulations.

Under the backup withholding rules, a holder of any Note may be subject to backup withholding at a rate of 28% with respect to reportable payments (including interest, dividends, original issue discount and proceeds of certain sales), unless such a holder (a) is a corporation, exempt from tax under Section 501(a) of the Internal Revenue Code, an IRA or comes within certain other exempt categories and, when required, demonstrates this fact, or (b) provides a certified taxpayer identification number, certifies that the holder is not subject to backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A holder of a Note who does not provide HIS Fund with his or her correct taxpayer identification number may be subject to penalties imposed by the Internal Revenue Service. Backup withholding is not an additional tax. Any amounts so withheld may be credited against the federal income tax liability of the person subject to such withholding.

**PURCHASERS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE ACTUAL TAX CONSEQUENCES TO THEM OF A PURCHASE AND HOLDING OF A NOTE, INCLUDING THE TAXABILITY OF THE NOTES UNDER STATE AND LOCAL TAX LAWS AND, IF APPLICABLE, INTERNAL REVENUE CODE PROVISIONS AND RELATED REGULATIONS RELATED TO IRA ACCOUNTS.**

## Outstanding Debt Obligations

HIS Fund's primary means of obtaining the funds necessary to conduct HIS Fund operations is through receipt of proceeds from the sale of debt obligations, including the Notes offered hereby. HIS Fund will also generate income from interest on the loans to borrowers and investments of assets.

As of December 31, 2016 and December 31, 2015, HIS Fund had outstanding Notes in the aggregate principal amount (including accrued interest) of \$164,714,500 and \$139,551,674, respectively.

As of December 31, 2016 and December 31, 2015, the District Council held \$6,880,928 and \$6,572,486, respectively, in aggregate principal amount of Notes issued by HIS Fund, representing 4.18% and 4.71%, respectively, of the aggregate principal amount of Notes then outstanding.

The following tables show the distribution of outstanding Notes by year of maturity and initial maturity, respectively.

### Notes Payable by Year of Maturity

<u>Remaining Maturity</u>	<u>Principal Outstanding as of 12/31/16</u>
On demand	\$ 12,793,849
2017	30,887,426
2018	22,033,303
2019	24,663,183
2020	30,790,609
2021	43,546,130
**Total**	\$ <u>164,714,500</u>

<u>Initial Maturity</u>	<u>As of 12/31/16</u>		<u>As of 12/31/15</u>	
	<u>Principal Amount</u>	<u># of Notes</u>	<u>Principal Amount</u>	<u># of Notes</u>
Demand	\$ 12,793,849	418	\$ 12,615,232	350
6 months	2,478,759	91	2,264,638	101
12 months	6,680,421	408	6,139,100	417
30 months	5,301,670	265	4,940,554	257
48 months	5,347,263	425	5,928,055	469
60 months	<u>132,112,538</u>	<u>4,675</u>	<u>107,664,095</u>	<u>4,209</u>
**Total**	\$ <u>164,714,500</u>	<u>6,282</u>	\$ <u>139,551,674</u>	<u>5,803</u>

### Sales in 2016 and 2015

For 2016 and 2015, total sales of Notes, including renewals and reinvestments (rollovers) of matured obligations and reinvested interest, were \$48,919,807 and \$39,064,773, respectively. Of the total sales during 2016 and 2015, \$29,361,285 and \$21,885,180, respectively, was purchased by individuals, \$11,580,856 and \$8,880,506, respectively, was purchased by churches, and \$7,977,666 and \$8,299,087, respectively, was purchased by other church-related units. Of the total sales of Notes in 2016, \$36,656,363 represented new sales (including new deposits to existing Notes), and



\$12,263,444 represented renewals and reinvestments (rollovers) of maturing obligations and reinvested interest. Of the total sales of Notes in 2015, \$29,358,701 represented new sales (including new deposits to existing Notes), and \$9,706,072 represented renewals and reinvestments (rollovers) of maturing obligations and reinvested interest.

### **Liquidity Reserves**

Since the inception of the predecessor loan fund, sufficient funds have been generated from all sources to make all principal and interest payments required on outstanding Notes. The funds available from operations and other sources, prior to the deduction of interest expense, for the years ending December 31, 2016 and 2015 totaled \$54,285,965 and \$47,103,684, respectively. This primarily is composed of operating income or loss (net of interest expense), loan principal repayments and the receipt of funds from sale of Notes. For the years ending December 31, 2016 and 2015, repayment of Notes (excluding renewals of matured obligations and compound interest) totaled \$16,248,058 and \$14,247,367, respectively, and interest expense on Notes totaled \$5,808,001 and \$5,086,183, respectively.

As of December 31, 2016 and December 31, 2015, the aggregate cash, cash equivalents and fair value of marketable securities available were \$34,822,890 and \$27,193,026, respectively. As of December 31, 2016, HIS Fund had available additional liquidity from a \$10,000,000 secured line of credit with Fulton Bank. This line of credit did not have any amount outstanding as of December 31, 2016. See "USE OF PROCEEDS – Investments."

See the Financial Statements included in this Prospectus as Appendix A.

### **Method of Sale**

The Notes are offered and sold only through the Prospectus. The Notes are offered directly by HIS Fund and no direct or indirect commissions or other sales-based compensation will be paid to any individual or organization in connection with the offer and sale of the Notes. HIS Fund's Chief Executive Officer has primary responsibility for the offer and sale of the Notes. Other officers, employees and agents may participate in the offer and sale of the Notes to the extent permitted under applicable state laws.

Prospective investors may obtain a Prospectus for the Notes by contacting the HIS Fund office, including through HIS Fund's website at [www.hisfund.com](http://www.hisfund.com). HIS Fund will then transmit the Prospectus to the prospective investor. Prospectuses may also be distributed from time to time to churches and Assemblies of God affiliates at church meetings and denominational conferences. If the investor wishes to purchase a Note, the investor completes the purchase application form accompanying the Prospectus for the appropriate maturity of the Note and sends this with a check in the amount of the purchase to HIS Fund in Mechanicsburg, Pennsylvania. If HIS Fund accepts the offer to purchase, the investor will receive, by mail, written confirmation that the Note was issued in book entry form, dated the date of acceptance.

The Notes will be offered and sold only to persons who are, prior to or at the time of receiving a purchase application, members of, contributors to or participants in the General Council of the Assemblies of God, the District Council or in any program, activity or organization which constitutes a

part of the General Council or the District Council, or in other church organizations that have a programmatic relationship with the General Council or the District Council, and IRAs of such persons.

Investors who purchase or direct the purchase of Notes for their IRA are responsible for any fees or other amounts charged by their account custodians. HIS Fund is not eligible to serve as an IRA custodian. Helpful information on how to establish an IRA can be found on the HIS Fund website ([www.hisfund.com](http://www.hisfund.com)).

**HIS Fund reserves the right, in its sole discretion, to reject a request to purchase a Note by any person or entity, to limit the amount which may be invested by any person or entity, and to limit the number of Notes that one investor may hold.**

## MANAGEMENT

### HIS Fund Directors and Officers

The HIS Fund Board of Directors and officers manage HIS Fund. Directors of HIS Fund, other than ex officio directors, serve one year terms unless another term is specified at the time of election, with no limit on the number of consecutive terms. The Superintendent and Secretary/Treasurer of the District Council are ex officio directors of HIS Fund. Except for ex officio directors, persons to fill vacancies on the HIS Fund Board will be elected by the then current HIS Fund directors.

Listed below is information on the current HIS Fund directors, with officer positions, if any, indicated in bold after a director's name.

<u>Name and Address</u>	<u>Age</u>	<u>Term Expires</u>	<u>Principal Occupation(s) Last Five Years</u>	<u>Education</u>
Michael T. Bongiorno ( <b>HIS Fund Chief Executive Officer and Chief Financial Officer</b> ) 136 Briarwood Court Camp Hill, PA 17011	61	2018	Chief Executive Officer of HIS Fund since inception; Executive Director of the Loan Fund 2000-2008; Special Assistant to the Superintendent 1997-2000	Associate Degree in Business Administration, 1980 – Harrisburg Area Community College
Philip Bongiorno ( <b>HIS Fund Chairman and President</b> ) 1008 Wintergreen Drive Mechanicsburg, PA 17050-3732	84	2018	Retired, Superintendent/President of District Council 1978-2002	Ministerial Degree, 1955 – Northeast Bible Institute (now University of Valley Forge)
David P. Crosby, Sr. ( <b>HIS Fund Secretary</b> ) 2 Drexel Hills Circle New Cumberland, PA 17070	71	2018	Retired, Secretary/Treasurer of District Council 2001-2013	Master of Arts, 1985 - International Seminary
Robert S. Harris 31 W. Clearview Dr., Shrewsbury, PA 17361-1102	84	2018	Retired; Senior Pastor Shrewsbury Assembly of God in Shrewsbury, PA from 1980-2012	Ministerial Diploma, 1954 – Zion Bible College

Donald J. Immel 187 Rose Hill Dr., New Cumberland, PA 17070	56	<u>ex-</u> <u>officio</u>	Secretary/Treasurer of District Council 2013 to present; Lead Pastor New Stanton Assembly of God 2007-2013	Studies in Pastoral Psychology and Counseling, 1982-84 - Ashland Theological Seminary; Bachelor of Science in Bible, 1982 – Valley Forge Christian College (now University of Valley Forge)
Elmer T. Kipe 5 Stone Spring Lane Camp Hill, PA 17011	82	2018	Retired; Pastor of Bethel Assemblies of God, Chambersburg from 1995-2001	Ministerial Diploma – Northeast Bible Institute (now University of Valley Forge)
Thomas E. Rees 71 White Oak Blvd. Mechanicsburg, PA 17050	55	2018	Assistant to the Superintendent 2000 to present; Director, U.S. Missions and Church Development; Dir., Men’s Ministries	Master of Science in Education, 1993 - Temple University
Stephen R. Tourville <b>(HIS Fund Vice Chairman)</b> 9 Irongate Court Mechanicsburg, PA 17055	65	<u>ex-</u> <u>officio</u>	Superintendent June 2002 to Present; Inter-Cultural Ministries Director of A/G Homes Mission Department at National A/G Headquarters in Springfield, MO from 2001 to June 2002	Doctor of Ministry, 2008 – Assemblies of God Theological Seminary

The above named individuals are ordained ministers of the Assemblies of God. None of the HIS Fund Directors has professional experience, training or education in administering a loan fund or in financial management other than the prior operation of the predecessor loan fund for the District Council.

In addition to the executive officers of HIS Fund who are directors and listed above, Robert J. Marzano, Jr., age 45, serves as Chief Operating Officer. As the Chief Operating Officer, he is responsible for activities related to the general operations of HIS Fund, including financial analysis for loan applications, oversight and training related to all communication and information systems of HIS Fund and management of HIS Fund’s facilities. Prior to joining HIS Fund in 2011, Mr. Marzano served as the Administrator to the Treasurer of the New Jersey District Council of the Assemblies of God from August 2007 through August 2011.

As of the date of this Prospectus, no petition under the Bankruptcy Act or any State insolvency law has been filed by or against any of the directors or officers of HIS Fund and no receiver, fiscal agent, or similar officer was appointed by a court for the business or property of any such director or officer or of any partnership in which he was a general partner or of any corporation or business association of which he was an executive officer. None of the directors or officers of HIS Fund has ever been convicted or pleaded nolo contendere in a criminal proceeding (excluding minor traffic violations and other minor offenses) or is the subject of a criminal proceeding which is pending as of the date of this Prospectus. Moreover, none of the directors or officers of HIS Fund has ever been held liable in a civil action (or, as of the date of this prospectus, is a defendant in any civil action) involving allegations of fraud for violations of any securities or franchise law, embezzlement, fraudulent conversion, misappropriation of property, theft or restraint of trade.

As of the date of this Prospectus, (1) none of the directors or officers of HIS Fund are or have been the subject of any order, judgment or decree of any court of competent jurisdiction or administrative or self-regulatory agency permanently or temporarily enjoining him from, or revoking or suspending his registration necessary for, any of the following: (i) acting as an investment advisor, investment advisory representative, underwriter, broker, or dealer in securities, or as an affiliated person, director or employee of any investment company, banks, savings and loan association or insurance company, (ii) engaging in or continuing any conduct or practice in connection with any such activity or in connection with the purchase or sale of any security or commodity futures related contract, (iii) representing an issuer offering or selling securities, (iv) acting as promoter, officer, director or partner of an issuer (or an individual occupying a similar status or performing similar functions) offering or selling securities or of a person who controls or is controlled by such issuer; or (v) relying upon an exemption from registration for securities; and (2) none of the directors or officers of HIS Fund are or have been the subject of any order, judgment or decree of a federal or state authority or administrative or self-regulatory agency barring or suspending the right of any such director or officer to be engaged in any activity described in (1)(i)-(v) above, censuring such director or officer for any activity, ordering such director or officer to effect a rescission offer to persons who purchased securities of an issuer with whom such director or officer is or was controlled by or otherwise affiliated or connected with, imposing an administrative assessment, or adjudging such director or officer in contempt of any stop order, cease advertising order, cease and desist order, or order requiring return of sales compensation. None of the directors or officers of HIS Fund has within the past five years filed a registration statement or application for exemption from registration that is currently subject to a stop order under a state's securities law.

### **Remuneration and Other Transactions**

No member of the Board of Directors of HIS Fund receives any compensation from HIS Fund for being a Director. Members of the Board of Directors of HIS Fund receive reimbursement for actual expenses incurred in attending meetings of the Board or any committee. The members of the Board holding District Council offices may receive compensation from the District Council for services to the District Council as determined by the Executive Presbytery.

The following table sets forth the amount of annual direct and indirect remuneration paid to the executive officers of HIS Fund in 2016 and scheduled compensation for 2017 (there are no employment contracts):

	<u>2016</u>			<u>2017</u>	
	<u>Cash Compensation</u>	<u>Insurance</u> <sup>1</sup>	<u>Retirement</u>	<u>2016 Aggregate Remuneration</u>	<u>Scheduled Base Compensation</u>
Michael T. Bongiorno CEO/CFO/Director	\$139,933	\$21,264	\$14,187	\$175,384	\$136,733
All Other Executive Officers and Directors	<u>\$77,951</u>	<u>\$24,981</u>	<u>\$54,833</u>	<u>\$157,766</u>	<u>\$114,916</u>
All Executive Officers and Directors as a Group:	<u>\$217,884</u>	<u>\$46,245</u>	<u>\$69,020</u>	<u>\$333,150</u>	<u>\$251,649</u>

<sup>1</sup> Includes health, dental, vision and long term disability insurance premiums.

HIS Fund contracts with unaffiliated third parties for data processing and other technology services. The District Council and the officers and directors of HIS Fund may also invest from time to time in HIS Fund Notes on the same terms as other investors. Except for the foregoing and as set forth above under “LENDING ACTIVITIES - Loans” and “USE OF PROCEEDS – Related Party Transactions,” during 2016 there have been no material transactions or agreements between HIS Fund and any of the directors of HIS Fund, or any company directly or indirectly controlled by any such person or persons.

### **DESCRIPTION OF PROPERTIES**

HIS Fund owns real estate and two contiguous buildings in Mechanicsburg, Pennsylvania. HIS Fund’s offices are located in one building and HIS Fund leases a dentist office to an unrelated third party. HIS Fund owns no other buildings or property other than office furniture and equipment. See the Financial Statements of HIS Fund at Appendix A.

### **EMPLOYEES**

HIS Fund has seven paid employees, the Chairman/President, the Chief Executive Officer, the Chief Operating Officer, an Administrative Assistant, an Investor Relations Specialist, an Operations Specialist and a Projects Assistant. See “MANAGEMENT - Remuneration and Other Transactions” for information on compensation of HIS Fund directors and officers.

### **FINANCIAL STATEMENTS**

The financial statements for HIS Fund as of December 31, 2016 and 2015 and for each of the years ended December 31, 2016, 2015 and 2014 included in Appendix A have been audited by Baker Tilly Virchow Krause, LLP (formerly ParenteBeard LLC), Certified Public Accountants and Consultants, as stated in their report thereon.

### **LEGAL PROCEEDINGS**

There are no pending or threatened material legal proceedings known to be contemplated by government authorities, administrative bodies or other persons, to which HIS Fund, including the Loan Fund, is a party or to which any of its property is or may be subject.

### **LEGAL OPINION**

Rhoads & Sinon LLP, Harrisburg, Pennsylvania, legal counsel to HIS Fund, has issued an opinion to the HIS Fund Board of Directors that the securities offered hereby, when issued, will be legally issued and outstanding, fully paid and non-assessable and will constitute valid and binding debt obligations of HIS Fund.

### **ANNUAL MEETING**

HIS Fund is not required to hold an annual meeting. Holders of the debt securities offered hereby are not entitled to notice of meetings of the HIS Fund Board and have no voting rights by reason of investment in the Loan Fund.

### **FINANCIAL REPORTS TO INVESTORS**

Copies of HIS Fund’s audited financial statements will be distributed to then current investors within 120 days after the close of HIS Fund’s fiscal year.

**Heritage Investment Services Fund, Inc.**

Financial Statements

December 31, 2016, 2015 and 2014



# **Heritage Investment Services Fund, Inc.**

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December 31, 2016, 2015 and 2014

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## **Independent Auditors' Report**

Board of Directors  
Heritage Investment Services Fund, Inc.

We have audited the accompanying financial statements of Heritage Investment Services Fund, Inc. ("HIS Fund"), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets and cash flows for each of the years in the three year period ended December 31, 2016, 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 control 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heritage Investment Services Fund, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for each of the years in the three year period ended December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

*Baker Tilly Virchow Krause, LLP*

Williamsport, Pennsylvania  
March 9, 2017

# Heritage Investment Services Fund, Inc.

## Statement of Financial Position

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 27,293,839	\$ 20,279,916
Current portion of notes receivable	15,325,729	10,916,459
Accrued interest receivable	365,445	281,281
Other current assets	23,468	5,960
Total current assets	<u>43,008,481</u>	<u>31,483,616</u>
<b>Investments</b>		
Money market funds	3,705,750	3,198,406
Beneficial interest in net assets of affiliate	2,962,619	2,577,444
Equity securities	2,222,915	3,714,704
Mutual funds	1,600,387	-
Limited partnership interest	-	42,034
Total investments	<u>10,491,671</u>	<u>9,532,588</u>
<b>Notes Receivable, Net</b>	<u>122,424,593</u>	<u>108,309,025</u>
<b>Property and Equipment, Net</b>	<u>1,102,784</u>	<u>1,119,721</u>
Total assets	<u>\$ 177,027,529</u>	<u>\$ 150,444,950</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Line of credit	\$ -	\$ -
Demand portion of long-term debt	12,793,849	12,615,232
Current portion of long-term debt	30,887,426	33,103,777
Other current liabilities	12,307	19,683
Total current liabilities	43,693,582	45,738,692
<b>Long-Term Debt</b>	<u>121,033,225</u>	<u>93,832,665</u>
Total liabilities	164,726,807	139,571,357
<b>Net Assets</b>		
Unrestricted net assets	<u>12,300,722</u>	<u>10,873,593</u>
Total liabilities and net assets	<u>\$ 177,027,529</u>	<u>\$ 150,444,950</u>

See notes to financial statements

**Heritage Investment Services Fund, Inc.**Statement of Activities and Changes in Net Assets  
Years Ended December 31, 2016, 2015 and 2014

	<u>Year Ended December 31, 2016</u>	<u>Year Ended December 31, 2015</u>	<u>Year Ended December 31, 2014</u>
<b>Changes in Unrestricted Net Assets</b>			
Revenues, gains and other support:			
Interest on notes receivable	\$ 7,612,274	\$ 6,920,356	\$ 6,109,145
Realized and unrealized gains on investments, net	549,681	-	-
Investment income	313,129	291,742	312,202
Rental income	66,660	76,749	93,698
Other income	34,392	31,116	25,076
Net assets released by satisfaction of restrictions	-	-	21,919
	<u>8,576,136</u>	<u>7,319,963</u>	<u>6,562,040</u>
Expenses and losses:			
Interest on promissory notes payable	5,808,001	5,086,184	4,526,101
General administration	937,831	925,613	893,300
Provision for losses on notes receivable	403,175	120,000	140,000
Realized and unrealized losses on investments, net	-	323,253	159,443
	<u>7,149,007</u>	<u>6,455,050</u>	<u>5,718,844</u>
Increase in unrestricted net assets	1,427,129	864,913	843,196
<b>Change in Temporarily Restricted Net Assets</b>			
Net assets released by satisfaction of restrictions	-	-	(21,919)
Increase in net assets	1,427,129	864,913	821,277
<b>Net Assets, Beginning</b>	<u>10,873,593</u>	<u>10,008,680</u>	<u>9,187,403</u>
<b>Net Assets, Ending</b>	<u>\$ 12,300,722</u>	<u>\$ 10,873,593</u>	<u>\$ 10,008,680</u>

See notes to financial statements

**Heritage Investment Services Fund, Inc.**

## Statement of Cash Flows

Years Ended December 31, 2016, 2015 and 2014

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
<b>Cash Flows from Operating Activities</b>			
Increase in net assets	\$ 1,427,129	\$ 864,913	\$ 821,277
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Interest expense added to principal of long-term debt	4,754,522	4,061,933	3,681,797
Depreciation expense	35,938	33,743	33,575
Realized and unrealized (gains) losses on investments, net	(549,681)	323,253	159,443
Provision for losses on notes receivable	403,175	120,000	140,000
Changes in assets and liabilities:			
Accrued interest receivable	(84,164)	7,419	(80,929)
Other current assets	(17,508)	1,000	1,000
Pledge receivable	-	-	21,919
Other current liabilities	(7,376)	5,847	5,175
Net cash provided by operating activities	<u>5,962,035</u>	<u>5,418,108</u>	<u>4,783,257</u>
<b>Cash Flows from Investing Activities</b>			
Notes receivable originated	(29,322,486)	(22,333,788)	(30,428,560)
Payments received on notes receivable	10,394,472	11,793,887	12,042,823
Proceeds from sale of investment securities	16,518,020	9,983,142	14,742,819
Purchase of investment securities	(16,927,422)	(10,708,899)	(8,751,601)
Purchase of property and equipment	(19,001)	(22,976)	-
Net cash used in investing activities	<u>(19,356,417)</u>	<u>(11,288,634)</u>	<u>(12,394,519)</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuance of long-term debt	36,656,363	29,358,702	23,487,867
Repayments of long-term debt	(16,248,058)	(14,247,367)	(10,780,924)
Net cash provided by financing activities	<u>20,408,305</u>	<u>15,111,335</u>	<u>12,706,943</u>
Increase in cash and cash equivalents	7,013,923	9,240,809	5,095,681
<b>Cash and Cash Equivalents, Beginning</b>	<u>20,279,916</u>	<u>11,039,107</u>	<u>5,943,426</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 27,293,839</u>	<u>\$ 20,279,916</u>	<u>\$ 11,039,107</u>
<b>Supplemental Disclosure of Cash Flow Information</b>			
Interest paid	<u>\$ 1,052,496</u>	<u>\$ 913,706</u>	<u>\$ 844,301</u>
<b>Noncash Operating, Investing and Financing Transactions</b>			
Interest expense added to principal of long-term debt	<u>\$ 4,754,522</u>	<u>\$ 4,061,933</u>	<u>\$ 3,681,797</u>
Refinanced notes receivable	<u>\$ 2,040,126</u>	<u>\$ 10,155,419</u>	<u>\$ 10,796,369</u>

See notes to financial statements

# **Heritage Investment Services Fund, Inc.**

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Notes to Financial Statements

December 31, 2016, 2015 and 2014

## **1. Nature of Operations and Summary of Significant Accounting Policies**

### **Reporting Entity**

Heritage Investment Services Fund, Inc. ("HIS Fund") was incorporated as a Pennsylvania nonprofit corporation in September 2007. Formed at the direction of the Pennsylvania-Delaware District Council of the Assemblies of God ("District Council"), HIS Fund's mission is to assist in, further and support the religious work and ministries of the Assemblies of God denomination throughout the territories served by the District Council. Its principal activity is continuing the church extension loan fund operations of the predecessor loan fund originated by the District Council. HIS Fund may also engage in activities furthering and supporting the religious work and ministries of the Assemblies of God denomination outside the geographic boundaries of the District to the extent approved by its board of directors.

HIS Fund is a related party to the District Council, as the District Council's Superintendent and Secretary/Treasurer are ex-officio voting members of HIS Fund's board of directors. However, beyond this representation, the District Council does not appoint any members (and thus does not make a voting majority of board appointments) to HIS Fund's board of directors.

### **Nature of Operations**

From 1981 through June 30, 2008, the District Council operated an unincorporated church extension loan fund, known as the Penn-Del Loan Fund, whose purpose was to assist in, further and support the religious work and ministries of the District Council, principally by providing a source of financing for the acquisition, construction, remodeling and furnishing of churches, parsonages and other capital projects and needs of the District Council, including its affiliated institutions, agencies, organizations and congregations.

Effective July 1, 2008, HIS Fund assumed operational responsibility as the successor organization to the Penn-Del Loan Fund.

### **Subsequent Events**

HIS Fund evaluated subsequent events for recognition and disclosure through March 9, 2017, the date the financial statements were available to be issued.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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.

Material estimates that are particularly susceptible to change include: (1) the allowance for losses on notes receivable and (2) fair values of investment securities, which are more fully described in Note 10.

## **Heritage Investment Services Fund, Inc.**

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Notes to Financial Statements

December 31, 2016, 2015 and 2014

### **Basis of Presentation**

HIS Fund is required to report information regarding its financial position and activities according to three classifications of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, HIS Fund reports the support as unrestricted.

At December 31, 2016 and 2015, HIS Fund had no assets classified as temporarily or permanently restricted.

### **Basis of Accounting**

HIS Fund uses the accrual method of accounting; accordingly, revenues and expenses are recognized in the period they are earned or incurred.

### **Investments and Investment Risk**

Investments in equity securities and mutual funds with readily determinable fair values are reported at fair value. Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the statement of activities. Cash equivalents and investments in money market funds are stated at cost, which approximates fair value. The cost of investments sold is determined by use of the specific identification method.

All realized and unrealized gains and losses arising from the sale or appreciation (depreciation) in fair value of investments, and all income from investments, are reported as changes in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor imposed stipulations, or by law.

HIS Fund's investments are comprised of a variety of financial instruments and are overseen by HIS Fund management and, for a portion of the portfolio, by an independent financial advisor. The fair values reported in the statement of financial position are exposed to various risks, including changes in the equity and debt security markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

## **Heritage Investment Services Fund, Inc.**

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Notes to Financial Statements

December 31, 2016, 2015 and 2014

### **Beneficial Interest in Net Assets of Affiliate**

HIS Fund is invested in the Penn-Del International Loans Special Purpose Trust, trustee by Wisdom Over Wealth, LLC, which consists of international and domestic loans receivable, secured by real estate both domestic and overseas, recorded at cost. Income on this investment is reported as changes in unrestricted net assets within investment income.

### **Notes Receivable, Net**

Notes receivable, primarily from Assemblies of God affiliated churches, that management has the intent and ability to hold for the foreseeable future or until maturity or payoff, are stated at unpaid principal balances, less any related allowance for losses on notes receivable. Interest on notes receivable is accrued on the principal balance using a 365-day year simple interest method. Loan origination and commitment fees, as well as certain direct origination costs, are deferred and amortized as a yield adjustment over the lives of the related loans using the interest method.

The notes receivable portfolio is segmented into church and other notes receivable. Church notes receivable consist of the following classes: secured real estate, unsecured real estate, and construction. Other notes receivable consist of a single, secured real estate class.

For all classes of notes receivable, the accrual of interest is discontinued when management has serious doubts about further collectability of principal or interest, even though the note may currently be performing. A note may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a note is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed. Interest received on nonaccrual notes, including impaired notes, generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, notes are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months) and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past due status of all classes of notes receivable is determined based on contractual due dates for note payments. Also, the amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

### **Allowance for Losses on Notes Receivable**

The allowance for losses on notes receivable represents management's estimate of losses inherent in the note portfolio as of the statement of financial position date and is recorded as a reduction to notes receivable. The allowance for losses is increased by the provision for losses on notes receivable, and decreased by charge-offs, net of recoveries. Notes deemed to be uncollectible are charged against the allowance for losses on notes receivable, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of notes receivable are charged off to the provision as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. Because all identified losses are immediately charged off, no portion of the allowance for losses on notes receivable is restricted to any individual note or groups of notes, and the entire allowance is available to absorb losses.

## Heritage Investment Services Fund, Inc.

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### Notes to Financial Statements

December 31, 2016, 2015 and 2014

The allowance for losses on notes receivable is maintained at a level management considers adequate to provide for losses that can be reasonably anticipated or are inherent in the note portfolio. Management performs an annual evaluation of the adequacy of the allowance. The allowance is based on HIS Fund management's determination of the risk characteristics of the portfolio, past loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, current economic conditions, its ability to work with delinquent borrowers through other units of the church, and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

The allowance consists of specific and general components.

The specific component relates to notes that are classified as impaired. For notes that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired note is lower than the carrying value of that note.

A note is considered impaired when, based on current information and events, it is probable that HIS Fund will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the note agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Notes that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the note and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a note by note basis by either the present value of expected future cash flows, discounted at the note's effective interest rate, or the fair value of the collateral if the note is collateral dependent. At December 31, 2016 and 2015 there were one (1) and two (2) impaired notes, respectively. At December 31, 2016 and 2015, there was no specific allowance relative to these impaired notes.

The general component of the allowance covers those notes receivable not considered impaired. These notes receivable are evaluated for loss exposure based upon historical loss rates for each class of notes receivable, adjusted for qualitative factors. These qualitative risk factors include:

1. Lending policies and procedures, including collection, charge-off, and recovery practices
2. Historical loss rates
3. Nature and volume of the portfolio and terms of notes
4. Volume and severity of past due, classified and nonaccrual notes as well as any other note modifications
5. The degree of oversight by HIS Fund's Board of Directors
6. Management's ability to work with delinquent borrowers through other units of the church



## **Heritage Investment Services Fund, Inc.**

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### Notes to Financial Statements

December 31, 2016, 2015 and 2014

Each factor is evaluated based on management's best judgment using relevant information available at the time of the evaluation.

The qualitative factors used in the general component calculations are designed to address credit risk characteristics associated with each segment. HIS Fund's credit risk associated with all of the segments is significantly impacted by these factors, which include economic conditions within its market area; HIS Fund's lending policies, changes or trends in the portfolio, risk profile, competition, regulatory requirements and other factors. Further, the secured real estate segment is significantly affected by the values of church real estate that provide collateral for the notes. The majority of HIS Fund's total notes (approximately 99% at December 31, 2016 and 2015) are secured by real estate, and accordingly, HIS Fund's risk for the secured real estate segment is significantly affected by real estate values.

As HIS Fund is engaged in activities intended to further and support the religious work and ministries of the Assemblies of God denomination, its lending policies may be more lenient than those of commercial lenders. HIS Fund may be more willing to consider accommodations when payments fall behind or to consider refinancing notes than commercial lenders would be. HIS Fund would seek to aid its borrowers in every instance to meet note obligations without foreclosure. In addition, HIS Fund's lending policies, including underwriting and enforcement of terms in the event of delinquency, are generally less stringent than those policies of commercial lenders.

For church notes secured by real estate, estimated fair values are determined primarily through brokers opinions or third-party appraisals. When a real estate secured note becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the note-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

### **Property and Equipment, Net**

Property and equipment is stated at cost or, in the case of donated equipment, at fair value at the date of the gift. Expenditures for repair costs, which extend the useful lives of assets, are capitalized and routine maintenance and repair costs are expensed as incurred.

HIS Fund provides for depreciation using the straight-line method based on the estimated useful life of each classification of depreciable asset.

Gifts of long-lived assets such as land, buildings or equipment, if any, are recognized at estimated fair value on the date of the gift. Such donations are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

# **Heritage Investment Services Fund, Inc.**

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Notes to Financial Statements

December 31, 2016, 2015 and 2014

## **Long-Term Debt**

HIS Fund accepts deposits from individuals and organizations affiliated with the Assemblies of God denomination. These promissory and demand notes payable bear interest at varying rates over specific terms and are unsecured. Interest on promissory notes payable is recognized using the simple interest method. Accrued interest payable is included as a component of long-term debt on HIS Fund's statement of financial position.

## **Income Taxes**

HIS Fund is a not-for-profit corporation organized under the laws of Pennsylvania and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Pursuant to Section 1.6033-2(h) of the Internal Revenue Code, as an integrated auxiliary of a church, HIS Fund is not required to file an annual Federal Form 990.

## **Cash Flows**

HIS Fund considers highly liquid short-term debt instruments purchased with an original maturity of three months or less (excluding certain short-term instruments which are classified as investments) to be cash equivalents.

## **New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued a comprehensive new revenue recognition standard (Topic 606, Accounting Standards Update ("ASU") 2014-09) that will supersede nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States of America ("GAAP"). The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. For non-public entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2018. A non-public entity may elect to apply this guidance earlier; however, not before an annual reporting period beginning after December 15, 2017. Management does not expect the adoption will have a significant effect on HIS Fund's financial statements as the recognition of interest income has been scoped out of the guidance and it does not expect its other revenue sources to be significantly affected.

During January 2016, the FASB issued a new standard related to the recognition and measurement of financial assets and liabilities (Topic 825-10, ASU 2016-01). This standard requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in income; simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities; and requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. For non-public entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted as of fiscal years beginning after December 15, 2017. Management is assessing the impact this new standard will have on its financial statements.

## **Heritage Investment Services Fund, Inc.**

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### Notes to Financial Statements

December 31, 2016, 2015 and 2014

During February 2016, the FASB issued a new standard related to the accounting treatment of leases (Topic 842, ASU 2016-02). This standard will require that substantially all leases will result in a recognition of a right to use asset and a lease liability. For non-public entities, the amendments in this update are effective for annual periods beginning after December 15, 2018, with early adoption permitted. Management is evaluating this new guidance and does not believe its adoption will have a material impact on future financial statements.

During June 2016, the FASB issued a new standard related to the accounting for losses on financial instruments (Topic 326, ASU 2016-13). This standard requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. For non-public entities, the amendments in this update are effective for annual periods beginning after December 15, 2020. Management is evaluating this new guidance and the impact it will have on future financial statements.

During August 2016, the FASB issued a new standard related to the presentation of financial statements of not-for-profit entities (Topic 958, ASU 2016-14). This standard will amend the current net asset classification requirements and add additional disclosure information within financial statements related to an entity's liquidity, financial performance and cash flows. The amendments in this update are effective for annual periods beginning after December 15, 2017. Management is evaluating this new guidance and the impact it will have on future financial statements.

## **2. Investments**

### **Equity Securities, Mutual Funds and Money Market Funds**

At December 31, 2016 and 2015, HIS Fund had investments in equity securities amounting to \$2,222,915 and \$3,714,704, respectively, and in mutual funds amounting to \$1,600,387 at December 31, 2016. In addition, HIS Fund also maintained money market funds amounting to \$3,705,750 and \$3,198,406 at December 31, 2016 and 2015, respectively.

### **Beneficial Interest in Net Assets of Affiliate**

The Penn-Del International Loans Special Purpose Trust (the "Trust"), trustee by Wisdom Over Wealth, LLC, provides capital for international and domestic church loans and international para-church ministries and micro-economic development projects. The Trust also holds loans to two churches not affiliated with the Assemblies of God. HIS Fund is the sole participant in the revocable Trust and has recorded the net assets of the Trust as its investment, which are distributable to HIS Fund as principal and interest are collected on the underlying loans. The sole international loan held by the Trust is in the Philippines (comprising approximately 30% and 18% of HIS Fund's investment in the Trust at December 31, 2016 and 2015, respectively). During 2016 and 2015, the Trust distributed \$563,000 and \$533,000, respectively, to HIS Fund.

At December 31, 2016 and 2015, HIS Fund's investment in the Trust was \$2,962,619 and \$2,577,444, respectively.

## Heritage Investment Services Fund, Inc.

### Notes to Financial Statements

December 31, 2016, 2015 and 2014

#### Investment Return

For the years ended December 31, 2016, 2015 and 2014, unrestricted investment income and net realized and unrealized gains (losses) are summarized as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Investment income:			
Beneficial interest in net assets of affiliate interest income	\$ 202,647	\$ 174,690	\$ 200,473
Equity and mutual fund dividends	51,234	83,848	87,305
Money market interest income	59,248	33,204	24,424
	<u>313,129</u>	<u>291,742</u>	<u>312,202</u>
Realized and unrealized gains (losses) on investments, net:			
Equity securities and mutual funds	576,767	(310,464)	(149,161)
Limited partnership	(27,086)	(12,789)	(10,282)
	<u>549,681</u>	<u>(323,253)</u>	<u>(159,443)</u>
Total unrestricted realized and unrealized gains (losses)	<u>549,681</u>	<u>(323,253)</u>	<u>(159,443)</u>
Total investment return	<u>\$ 862,810</u>	<u>\$ (31,511)</u>	<u>\$ 152,759</u>

The unrealized gains (losses) on equity securities and mutual funds for the years ended December 31, 2016, 2015 and 2014, amounted to \$77,942, \$(642,407) and \$(504,263), respectively.

### 3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own belief about the assumptions market participants would use in pricing the asset or liability based upon the best information available in the circumstances. Authoritative guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

## Heritage Investment Services Fund, Inc.

### Notes to Financial Statements

December 31, 2016, 2015 and 2014

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of HIS Fund's financial assets and financial liabilities carried at fair value.

Investments in equity securities and mutual funds are generally reported at fair value utilizing Level 1 inputs. For these securities, fair value measurements are obtained from the per share value of the security on the stock exchange as of the date of measurement, which estimates fair value for those securities. Money market funds are valued at cost, which approximates fair value.

The following table illustrates the financial instruments measured at fair value on a recurring basis segregated by hierarchy fair value levels:

Assets	Fair Value Measurements at December 31, 2016			
	Total Carrying Value at December 31, 2016	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$ 3,705,750	\$ 3,705,750	\$ -	\$ -
Equity securities:				
Technology	907,900	907,900	-	-
Basic materials	621,600	621,600	-	-
Healthcare	292,200	292,200	-	-
Oil & gas	199,665	199,665	-	-
Industrial goods	158,000	158,000	-	-
Consumer goods	43,550	43,550	-	-
Total equity securities	2,222,915	2,222,915	-	-
Mutual funds, fixed income	1,600,387	1,600,387	-	-
Total	\$ 7,529,052	\$ 7,529,052	\$ -	\$ -

## Heritage Investment Services Fund, Inc.

Notes to Financial Statements

December 31, 2016, 2015 and 2014

Assets	Fair Value Measurements at December 31, 2015			
	Total Carrying Value at December 31, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$ 3,198,406	\$ 3,198,406	\$ -	\$ -
Equity securities:				
Technology	1,132,342	1,132,342	-	-
Basic material	575,000	575,000	-	-
Industrial goods	482,605	482,605	-	-
Consumer goods	454,820	454,820	-	-
Healthcare	402,909	402,909	-	-
Oil & gas	317,360	317,360	-	-
Financial	117,404	117,404	-	-
Utilities	82,950	82,950	-	-
Consumer services	79,055	79,055	-	-
Telecommunications	70,259	70,259	-	-
Total equity securities	3,714,704	3,714,704	-	-
Total	\$ 6,913,110	\$ 6,913,110	\$ -	\$ -

GAAP requires disclosures of fair value information about financial instruments, whether or not recognized in the statement of net position. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. GAAP excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented are not intended to and do not represent the underlying value of HIS Fund.

The following methods and assumptions were used by HIS Fund in estimating its fair value disclosures for financial instruments:

*Cash and cash equivalents:* The carrying amounts reported in the balance sheet for cash and cash equivalents approximate those assets' fair values.

*Investment securities:* The fair value of investment securities are based on quoted market prices as described above.

*Beneficial interest in net assets of affiliate:* The fair value of the beneficial interest in net assets of affiliate is estimated using discounted cash flow analysis, based on the interest rates currently being offered for loans with similar terms to borrowers of similar credit quality through by the affiliate.

*Limited partnership interest:* The carrying amounts reported in the balance sheet for limited partnership interest approximate the fair value of this interest.

## Heritage Investment Services Fund, Inc.

### Notes to Financial Statements

December 31, 2016, 2015 and 2014

*Loans:* The fair value of loans are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

*Accrued interest receivable:* The carrying amount of accrued interest receivable approximates fair value.

*Deposits:* The fair value disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The fair values for term deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on similar term deposits.

The estimated fair values of HIS Fund's financial instruments are as follows at December 31, 2016:

	<b>Valuation Method(s) Used</b>	<b>2016 Carrying Amount</b>	<b>2016 Fair Value</b>
Financial Assets:			
Cash and cash equivalents	Level 1	\$ 27,293,839	\$ 27,293,839
Investment securities	See above	7,529,052	7,529,052
Beneficial interest in net assets of affiliate	Level 3	2,962,619	2,992,762
Notes receivable, net	Level 3	137,750,322	138,567,074
Accrued interest receivable	Level 2	365,445	365,445
Financial Liabilities:			
Demand portion of long-term debt	Level 1	12,793,849	12,793,849
Long-term debt	Level 3	151,920,651	152,659,932

The estimated fair values of HIS Fund's financial instruments are as follows at December 31, 2015:

	<b>Valuation Method(s) Used</b>	<b>2015 Carrying Amount</b>	<b>2015 Fair Value</b>
Financial Assets:			
Cash and cash equivalents	Level 1	\$ 20,279,916	\$ 20,279,916
Investment securities	See above	6,913,110	6,913,110
Beneficial interest in net assets of affiliate	Level 3	2,577,444	2,620,395
Limited partnership interest	Level 3	42,034	42,034
Notes receivable, net	Level 3	119,225,484	120,968,868
Accrued interest receivable	Level 2	281,281	281,281
Financial Liabilities:			
Demand portion of long-term debt	Level 1	12,615,232	12,615,232
Long-term debt	Level 3	126,936,442	127,605,069

## Heritage Investment Services Fund, Inc.

Notes to Financial Statements

December 31, 2016, 2015 and 2014

### 4. Notes Receivable, Net

HIS Fund notes receivable consist primarily of amounts owed by churches or organizations affiliated with the Assemblies of God denomination. Such notes are made for the purpose of purchasing real estate for church buildings, construction, expansion, or renovation of church buildings, or improvements to and equipping of church buildings. All of HIS Fund's notes receivable mature at various dates through the year 2046. HIS Fund notes bear interest at rates ranging from 3.0% to 9.0%.

Secured, guaranteed, and unsecured notes at December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Secured by deed of trust (mortgage) on real property	\$ 138,951,188	\$ 119,810,003
Unsecured	28,214	194,082
Total	138,979,402	120,004,085
Less current portion	15,325,729	10,916,459
Less allowance for losses on notes receivable	1,112,000	720,000
Less deferred origination fees, net	117,080	58,601
Long-term portion of notes receivable	<u>\$ 122,424,593</u>	<u>\$ 108,309,025</u>

The performance and credit quality of the notes receivable is also monitored by analyzing the age of the notes receivable as determined by the length of time a recorded payment is past due.

The following tables present the classes of the notes receivable portfolio summarized by past due status at December 31, 2016 and 2015:

<u>December 31, 2016</u>	<u>Past Due</u>	<u>Current</u>	<u>Total</u>
Church secured real estate	\$ 2,301,999	\$ 116,389,149	\$ 118,691,148
Church construction	-	5,078,088	5,078,088
Church unsecured	-	28,214	28,214
Other secured real estate	-	15,181,952	15,181,952
Total	<u>\$ 2,301,999</u>	<u>\$ 136,677,403</u>	<u>\$ 138,979,402</u>

  

<u>December 31, 2015</u>	<u>Past Due</u>	<u>Current</u>	<u>Total</u>
Church secured real estate	\$ -	\$ 94,340,448	\$ 94,340,448
Church construction	-	13,561,558	13,561,558
Church unsecured	-	194,082	194,082
Other secured real estate	-	11,907,997	11,907,997
Total	<u>\$ -</u>	<u>\$ 120,004,085</u>	<u>\$ 120,004,085</u>



## Heritage Investment Services Fund, Inc.

### Notes to Financial Statements

December 31, 2016, 2015 and 2014

The following table presents a summary of note balances and the related allowance for losses on notes receivable summarized by portfolio segment and class for each impairment method used as of December 31, 2016 and 2015:

<b><u>Notes - December 31, 2016</u></b>	<b><u>Individually Evaluated</u></b>	<b><u>Collectively Evaluated</u></b>	<b><u>Total</u></b>
Church secured real estate	\$ 292,929	\$ 118,398,219	\$ 118,691,148
Church construction	-	5,078,088	5,078,088
Church unsecured	-	28,214	28,214
Other secured real estate	-	15,181,952	15,181,952
Total	<u>\$ 292,929</u>	<u>\$ 138,686,473</u>	<u>\$ 138,979,402</u>

  

<b><u>Notes - December 31, 2015</u></b>	<b><u>Individually Evaluated</u></b>	<b><u>Collectively Evaluated</u></b>	<b><u>Total</u></b>
Church secured real estate	\$ 316,419	\$ 94,024,029	\$ 94,340,448
Church construction	-	13,561,558	13,561,558
Church unsecured	11,320	182,762	194,082
Other secured real estate	-	11,907,997	11,907,997
Total	<u>\$ 327,739</u>	<u>\$ 119,676,346</u>	<u>\$ 120,004,085</u>

  

<b><u>Allowance for Losses on Notes Receivable - December 31, 2016</u></b>	<b><u>Individually Evaluated</u></b>	<b><u>Collectively Evaluated</u></b>	<b><u>Total</u></b>
Church secured real estate	\$ -	\$ 949,670	\$ 949,670
Church construction	-	40,630	40,630
Church unsecured	-	226	226
Other secured real estate	-	121,474	121,474
Total	<u>\$ -</u>	<u>\$ 1,112,000</u>	<u>\$ 1,112,000</u>

  

<b><u>Allowance for Losses on Notes Receivable - December 31, 2015</u></b>	<b><u>Individually Evaluated</u></b>	<b><u>Collectively Evaluated</u></b>	<b><u>Total</u></b>
Church secured real estate	\$ -	\$ 566,023	\$ 566,023
Church construction	-	81,367	81,367
Church unsecured	-	1,164	1,164
Other secured real estate	-	71,446	71,446
Total	<u>\$ -</u>	<u>\$ 720,000</u>	<u>\$ 720,000</u>

## Heritage Investment Services Fund, Inc.

### Notes to Financial Statements

December 31, 2016, 2015 and 2014

Activity in the allowance for losses on notes receivable are summarized as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 720,000	\$ 600,000	\$ 460,000
Provision for losses on notes receivable	403,175	120,000	140,000
Notes charged off	(11,175)	-	-
Recoveries	-	-	-
Total	<u>\$ 1,112,000</u>	<u>\$ 720,000</u>	<u>\$ 600,000</u>

Transactions within the allowance for losses on notes receivable, summarized by segment and class, for 2016 and 2015 were as follows:

	<u>Balance December 31, 2015</u>	<u>Notes Charged Off</u>	<u>Recoveries</u>	<u>Provision (Credit) for Losses on Notes Receivable</u>	<u>Balance December 31, 2016</u>
Church secured real estate	\$ 566,023	\$ -	\$ -	\$ 383,647	\$ 949,670
Church construction	81,367	-	-	(40,737)	40,630
Church unsecured	1,164	(11,175)	-	10,237	226
Other secured real estate	71,446	-	-	50,028	121,474
Total	<u>\$ 720,000</u>	<u>\$ (11,175)</u>	<u>\$ -</u>	<u>\$ 403,175</u>	<u>\$ 1,112,000</u>

	<u>Balance December 31, 2014</u>	<u>Notes Charged Off</u>	<u>Recoveries</u>	<u>Provision (Credit) for Losses on Notes Receivable</u>	<u>Balance December 31, 2015</u>
Church secured real estate	\$ 470,977	\$ -	\$ -	\$ 95,046	\$ 566,023
Church construction	61,480	-	-	19,887	81,367
Church unsecured	3,504	-	-	(2,340)	1,164
Other secured real estate	64,039	-	-	7,407	71,446
Total	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 720,000</u>

## Heritage Investment Services Fund, Inc.

### Notes to Financial Statements

December 31, 2016, 2015 and 2014

Summary information related to impaired notes as of December 31, 2016, 2015 and 2014 is as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Impaired notes with a valuation allowance, Church secured real estate	\$ -	\$ -	\$ -
Impaired notes without a valuation allowance: Church secured real estate	292,929	316,419	336,821
Church unsecured	-	11,320	-
	<u>292,929</u>	<u>327,739</u>	<u>336,821</u>
Total impaired notes	<u>\$ 292,929</u>	<u>\$ 327,739</u>	<u>\$ 336,821</u>
Average investment in impaired notes: Church secured real estate	\$ 304,674	\$ 326,620	\$ 392,851
Church unsecured	5,660	5,660	-
	<u>310,334</u>	<u>332,280</u>	<u>392,851</u>
Total average investment in impaired notes	<u>\$ 310,334</u>	<u>\$ 332,280</u>	<u>\$ 392,851</u>
Interest income recognized on impaired notes: Church secured real estate	\$ 18,004	\$ 7,794	\$ 24,628
Church unsecured	123	303	-
	<u>18,127</u>	<u>8,097</u>	<u>24,628</u>
Total interest income recognized on impaired notes	<u>\$ 18,127</u>	<u>\$ 8,097</u>	<u>\$ 24,628</u>

The breakdown by portfolio segment and class of nonaccrual notes is as follows:

	<u>2016</u>	<u>2015</u>
Church secured real estate	\$ -	\$ -
Church construction	-	-
Church unsecured	-	-
Other secured real estate	-	-
	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>

HIS Fund has no commitments to lend additional funds to borrowers with existing nonaccrual notes. At December 31, 2016 and 2015, HIS Fund had no loans that were more than 90 days past due and still accruing interest.

HIS Fund grants notes to churches or organizations affiliated with the Assemblies of God denominations located in Pennsylvania, Delaware, New Jersey, New York, Florida, Alabama, California, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Missouri, Kansas, Illinois, Ohio, Kentucky, Massachusetts, Maryland and Oklahoma. Although HIS Fund has a diversified portfolio, a significant portion of its loan portfolio resides in the Pennsylvania, New York, New Jersey, Georgia and Florida markets and its debtors' ability to honor their contracts is dependent on the economic conditions within these areas. Management uses available information, including independent appraisals for significant properties, to recognize losses on notes; future additions to the allowance for losses on notes receivable may be necessary based on changes in the economy. Because of this, it is reasonably possible that the allowance for losses on notes receivable may change materially in the near term.

## Heritage Investment Services Fund, Inc.

### Notes to Financial Statements

December 31, 2016, 2015 and 2014

Loans whose terms are modified are classified as Troubled Debt Restructurings ("TDRs") if HIS Fund grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Loans classified as TDRs are designated as impaired. There were no TDRs that occurred during 2016 or 2015.

In 2016 and 2015, there were no defaults on loans for which modifications considered to be TDRs were entered into within the previous 12 months.

#### 5. Property and Equipment

Property and equipment at December 31, 2016 and 2015 is comprised of the following:

	<u>2016</u>	<u>2015</u>
Land and land improvements	\$ 176,400	\$ 176,400
Buildings and improvements	1,049,913	1,049,913
Furniture and equipment	51,857	32,856
Vehicles	<u>20,916</u>	<u>20,916</u>
Total	1,299,086	1,280,085
Less accumulated depreciation	<u>(196,302)</u>	<u>(160,364)</u>
Total	<u>\$ 1,102,784</u>	<u>\$ 1,119,721</u>

#### 6. Long-Term Debt

HIS Fund issues six types of unsecured promissory notes payable. Notes are issued as either demand notes, payable upon demand with 30 days prior written notice ("Demand Notes"), or notes with various fixed maturities established from time to time ("Term Notes"), currently 6 month, 1 year, 2½ year, 4 year, and 5 year terms.

## Heritage Investment Services Fund, Inc.

### Notes to Financial Statements

December 31, 2016, 2015 and 2014

While HIS Fund may change the interest rate paid on newly issued notes from time to time or discontinue the issuance of a particular note, the principal terms of these instruments at December 31, 2016, along with the outstanding balances at December 31, 2015, are as follows:

<u>Original Term</u>	<u>2016 Interest Rate</u>	<u>2016</u>	<u>2015</u>
Demand	2.25%	\$ 12,793,849	\$ 12,615,232
6 months	2.50%	2,478,759	2,264,638
1 year	2.75%	6,680,421	6,139,100
2 ½ years	3.00%	5,301,670	4,940,554
4 years	3.25%	5,347,263	5,928,055
5 years	4.00% to 4.25%	<u>132,112,538</u>	<u>107,664,095</u>
Total		164,714,500	139,551,674
Less demand portion		12,793,849	12,615,232
Less current portion		<u>30,887,426</u>	<u>33,103,777</u>
Long - term debt		<u>\$ 121,033,225</u>	<u>\$ 93,832,665</u>

The scheduled principal repayments on the notes payable at December 31, 2016 are as follows:

Years ending December 31:	
Demand	\$ 12,793,849
2017	30,887,426
2018	22,033,303
2019	24,663,183
2020	30,790,609
2021	<u>43,546,130</u>
Total	<u>\$ 164,714,500</u>

### Line of Credit

HIS Fund maintains a line of credit arrangement with Fulton Bank, N.A. in the amount of \$10,000,000. The line is collateralized through blanket liens on certain agreements, instruments and other writings existing at the establishment of the line of credit (2013) or financed by HIS Fund involving real estate and other projects in Pennsylvania, New Jersey, Delaware, Maryland and Virginia. The line of credit agreement includes certain restrictive covenants, whereby HIS Fund is not permitted to: incur any additional borrowings; merge, consolidate or dispose of any part of its business; create encumbrances on any of its properties or assets; create or permit a new company, or; make any change in character or conduct of the business without Fulton Bank's prior written approval. Borrowings incur interest at the One-Month LIBOR Market Index Rate plus 2.75% (3.35% at December 31, 2016). There were no amounts borrowed on the line of credit at December 31, 2016 or 2015. This credit facility is subject to annual review for renewal at Fulton Bank's sole option.

## Heritage Investment Services Fund, Inc.

Notes to Financial Statements

December 31, 2016, 2015 and 2014

### 7. Related Party Transactions

At December 31, 2016 and 2015, the District Council had \$6,880,928 and \$6,572,486, respectively, invested in HIS Fund issued notes payable.

### 8. Retirement Plan

HIS Fund contributes an amount based on 10% of the salary of all professional employees and 6% of the salary of all other eligible employees to the Ministers' Benefit Association Retirement Program. In addition to the contributions made by HIS Fund, the participants may also make voluntary contributions. For the years ended December 31, 2016, 2015 and 2014, the costs of this plan, which are funded currently, amounted to \$25,988, \$25,164 and \$26,226, respectively. For the years ended December 31, 2016, 2015 and 2014, an additional \$50,151, \$50,922 and \$36,900, respectively, was contributed on behalf of the President.

### 9. Off-Balance Sheet Risk

HIS Fund is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its affiliated churches and organizations. These instruments consist of commitments to extend credit, and involve to varying degrees, elements of credit, interest rate or liquidity risk in excess of the amounts recognized in the statement of financial position. The contract amounts of these instruments express the extent of involvement HIS Fund has in particular classes of financial instruments.

HIS Fund's exposure to credit loss from nonperformance by the other party to the financial instruments for commitments to extend credit is represented by the contractual amount of these instruments. HIS Fund uses the same credit policies in making commitments as it does for on-balance sheet instruments.

HIS Fund may require collateral or other security to support financial instruments with off-balance sheet credit risk.

Financial instruments whose contract amounts represent credit risk are as follows:

	<b>Contract Amount December 31, 2016</b>	<b>Contract Amount December 31, 2015</b>
Commitments to extend credit	<u>\$ 20,798,250</u>	<u>\$ 25,725,551</u>

## **Heritage Investment Services Fund, Inc.**

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Notes to Financial Statements

December 31, 2016, 2015 and 2014

### **10. Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerability due to certain concentrations. Estimates related to an allowance for losses on notes receivable are disclosed in Notes 1 and 3. Current vulnerabilities due to certain concentrations of investments and credit risk are discussed in the following paragraphs.

Investments maintained with the Penn-Del International Special Purpose Loan Trust, trustee by Wisdom Over Wealth, LLC. (Note 2) comprised 28% and 27%, respectively of HIS Fund's total investment portfolio at December 31, 2016 and 2015.

Cash balances at any one national credit union are insured to \$250,000 by the National Credit Union Administration ("NCUA"). As of December 31, 2016 and 2015, HIS Fund had cash and cash equivalents held by Assemblies of God Credit Union that exceeded NCUA insured limits by approximately \$8,060,000 and \$8,050,000, respectively.

Cash balances at any one bank are insured up to \$250,000 by the Federal Deposit Insurance Company ("FDIC"). As of December 31, 2016 and 2015, HIS Fund had cash and cash equivalents held by banks that exceeded FDIC insured limits by approximately \$15,900,000 and \$10,700,000, respectively.

HIS Fund maintains cash deposits and security investment balances with Charles Schwab and Merrill Edge, both of whom are members of the Securities Investor Protection Corporation ("SIPC"). SIPC coverage is available up to \$500,000. As of December 31, 2016 and 2015, HIS Fund had cash equivalents and securities maintained with Charles Schwab that exceed SIPC insurance limits by approximately \$4,550,000 and \$4,100,000, respectively.

HIS Fund also maintains cash deposits and security investment balances with Fulton Investment Advisors. As of December 31, 2016 and 2015, HIS Fund had cash equivalents and securities amounting to approximately \$2,500,000 and \$2,300,000, respectively, that were unsecured.

### **11. Functional Expenses**

Substantially all of HIS Fund's expenses are for the provision of program services, namely, the operation of a church extension loan fund, except general administrative expenses of \$937,831, \$925,613 and \$893,300, for the years ended December 31, 2016, 2015 and 2014, respectively.

### **12. Regulatory Matters**

In order to offer and sell its promissory notes (long-term debt securities) (Note 6), HIS Fund must file and have declared effective a securities registration statement in Pennsylvania. Failure to satisfy the requirements of the Pennsylvania Department of Banking and Securities would materially adversely affect HIS Fund, in that it would not be able to raise new funds from investors in Pennsylvania. HIS Fund must also satisfy registration requirements or registration exemptions in any other states where it offers and sells its promissory note securities pursuant to the specific requirements of those states.



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TOLL FREE: (866) 219-0820  
PHONE: (717) 796-9784  
FAX: (717)795-9568  
www.hisfund.com

**PERSONAL NOTE PURCHASE APPLICATION**

Please complete and sign this application and return it, along with your check, to the above address. A separate purchase application must be completed and submitted for each Note you desire to purchase. Heritage Investment Services Fund, Inc. (HIS Fund), in its discretion, may limit the number of Notes an investor may hold (any limitation will be applied separately to Notes purchased for an IRA). Checks should be made payable to HIS Fund. An investor purchasing a Note for a self-directed IRA must complete an IRA Note Purchase Application instead of this Application.

**TYPE OF ACCOUNT DESIRED** (Please check only one):

Individual (one account name only)    Joint Tenants with Right of Survivorship\*    UTMA Custodial Account for Minor\*\*

Primary Account Owner or Minor Information if UTMA Account			Joint Owner or UTMA Custodian Information (if applicable)		
FIRST NAME	MI	LAST NAME	FIRST NAME	MI	LAST NAME
SOCIAL SECURITY NUMBER	DATE OF BIRTH (mm/dd/yyyy)		SOCIAL SECURITY NUMBER	DATE OF BIRTH (mm/dd/yyyy)	
STATE OF RESIDENCE			STATE OF RESIDENCE		
MAILING ADDRESS			MAILING ADDRESS		
Street			Street		
City	State	Zip Code	City	State	Zip Code
Telephone No.: _____			Telephone No.: _____		
Email: _____			Email: _____		
<input type="checkbox"/> This is my new address, please update your records accordingly.			RELATIONSHIP OF JOINT ACCOUNT HOLDER/UTMA CUSTODIAN TO PRIMARY ACCOUNT HOLDER/MINOR: _____		

**\*For joint accounts:** The primary account owner's name and social security number listed will be used for tax reporting purposes. HIS Fund limits joint accounts to the primary account owner and one additional joint owner. Both joint account owners must sign this Application below. However, in the discretion of HIS Fund, only the signature of one of the account owners may be required for transactions with respect to a joint account, including withdrawals, renewals and reinvestment. HIS Fund may act at any time on the instructions of either account owner and withdrawal checks may be made payable to either named account owner. Account statements and other correspondence will be sent only to the address of the primary account owner. Please consult with your tax advisor regarding possible tax implications of joint accounts.

**\*\*For UTMA accounts:** The UTMA custodian must sign this Application below. The minor's name, address and social security number will be used for tax reporting purposes. All other account statements and correspondence will be sent to the custodian. Please consult with your tax advisor regarding possible tax implications of UTMA accounts.

**AMOUNT OF PURCHASE:** \$ \_\_\_\_\_ (\$500 minimum) (DO NOT SEND CASH)

- Please find the enclosed check, made payable to HIS Fund (*Heritage Investment Services Fund, Inc.*)
- Please debit the bank account from my existing \_\_\_\_\_ (bank name) bank account on file ending in \_\_\_\_\_ (last three digits)
- Please debit my new \_\_\_\_\_ (bank name) bank account ending in \_\_\_\_\_ (last three digits) (Attach a Direct Deposit Authorization Form)



**TYPE OF NOTE DESIRED** (Please check only one - See "Description of Securities" in the Prospectus):

- Demand plus 30 days prior notice of withdrawal (not available in South Carolina)
- 6 Month Term Note
- 1 Year Term Note
- 2 ½ Year Term Note
- 4 Year Term Note
- 5 Year Term Note
- Ministry Rate Term Note related to the following Borrowing Church: \_\_\_\_\_  
(available only if the church is participating in a matching funds loan program)

**INVESTOR HAS NO RIGHT OF WITHDRAWAL PRIOR TO MATURITY. If HIS Fund, in its discretion, permits early withdrawal, interest penalty and processing fee may apply. Restrictions on transfer apply. See the Prospectus.**

**INTEREST OPTIONS** (Please check either "Compound Interest" or "Pay Interest" below and, if you choose "Pay Interest," please check one of the interest payment options. If you do not elect any of the options, all interest will be automatically redeposited. Interest is compounded on a quarterly basis only if interest is left on deposit. Interest rate on all Demand Notes is variable. Interest on Term Notes is fixed at time of issuance. See "Description of Securities" in the Prospectus.)

- |   |           |  |
|---|-----------|--|
| <input type="checkbox"/> Compound Interest (redeposit)<br>Quarterly (every three months)† | <b>OR</b> | <input type="checkbox"/> Pay Interest (please choose payment frequency by checking one of the options below) †* <ul style="list-style-type: none"> <li><input type="checkbox"/> Monthly</li> <li><input type="checkbox"/> Quarterly (every three months)</li> <li><input type="checkbox"/> Semi-Annually (every six months)</li> <li><input type="checkbox"/> Annually (every twelve months) (not available with 2 ½ Year Note)</li> </ul> |
|---|-----------|--|

† Interest payment or compounding period is currently based on the number of months specified above (1, 3, 6 or 12 months, as applicable) from the end of the month of purchase with the first interest payment or redeposit occurring as of the end of the month of purchase. HIS Fund reserves the right to adjust this method in its discretion.

\* Interest will be paid via Direct Deposit. Please complete the Direct Deposit Form available on our website.

The undersigned hereby applies to purchase a Note in accordance with this Application and the provisions of the Prospectus dated April 24, 2017 receipt of which is hereby acknowledged. The undersigned represents that the undersigned is a member of, contributor to or participant in the General Council of the Assemblies of God, the Pennsylvania-Delaware District Council of the Assemblies of God, or in a program, activity, or organization which constitutes a part of the General Council or the District Council, or in a church organization that has a programmatic relationship with the General Council or the District Council.

_____ <b>Primary Account Owner/UTMA Custodian Signature</b>	_____ <b>Date</b>
_____ <b>Joint Account Owner (if applicable)</b>	_____ <b>Date</b>

How did you hear about us? Check any that apply –  
 District Council    Conference    Pastor    From a friend    Other: \_\_\_\_\_

**Acceptance of this Application by HIS Fund will be evidenced by a written confirmation. HIS Fund reserves the right to reject any application for any reason in its discretion.**

IF YOU HAVE ACCEPTED AN OFFER TO PURCHASE THESE SECURITIES DESCRIBED IN A PROSPECTUS WHICH CONTAINS A NOTICE EXPLAINING YOUR RIGHT TO WITHDRAW YOUR ACCEPTANCE PURSUANT TO SECTION 207(m)(1) OF THE PENNSYLVANIA SECURITIES ACT OF 1972 (70 P.S. §1-207(m)), YOU MAY ELECT, WITHIN TWO BUSINESS DAYS AFTER THE FIRST TIME YOU HAVE RECEIVED THIS NOTICE AND A PROSPECTUS (WHICH IS NOT MATERIALLY DIFFERENT FROM THE FINAL PROSPECTUS), TO WITHDRAW FROM YOUR PURCHASE AND RECEIVE A FULL REFUND OF ALL MONIES PAID BY YOU. YOUR WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, YOU NEED ONLY SEND A WRITTEN NOTICE (INCLUDING A NOTICE BY FACSIMILE OR ELECTRONIC MAIL) TO THE ISSUER (OR UNDERWRITER IF ONE IS LISTED ON THE FRONT PAGE OF THE PROSPECTUS) INDICATING YOUR INTENTION TO WITHDRAW.

**CHURCH OR AFFILIATED ORGANIZATION/TRUST NOTE PURCHASE APPLICATION**

Please complete and sign this application and return it, along with your check, to the above address. A separate purchase application must be completed and submitted for each Note you desire to purchase. Heritage Investment Services Fund, Inc. (HIS Fund), in its discretion, may limit the number of Notes an investor may hold. Checks should be made payable to HIS Fund.

LEGAL NAME OF CHURCH, ORGANIZATION or TRUST	
DBA NAME OF CHURCH and/or ORGANIZATION (if applicable)	
NAME OF TRUSTEE(S) (if applicable)	
FEDERAL EMPLOYER IDENTIFICATION NO. (FEIN)	SOCIAL SECURITY NO. (for use with Trusts without a FEIN)
PHYSICAL ADDRESS	MAILING ADDRESS
Street	Street
City State Zip Code	City State Zip Code
TELEPHONE NUMBER	EMAIL ADDRESS

**AMOUNT OF PURCHASE:** \$ \_\_\_\_\_ (\$500 minimum) (DO NOT SEND CASH)

Please find the enclosed check, made payable to HIS Fund

Please debit the bank account from my existing \_\_\_\_\_ (bank name) bank account on file ending in \_\_\_\_\_ (last three digits)

Please debit my new \_\_\_\_\_ (bank name) bank account ending in \_\_\_\_\_ (last three digits) (Attach a Direct Deposit Authorization Form)

**TYPE OF NOTE DESIRED** (Please check only one - See "Description of Securities" in the Prospectus):

Demand plus 30 days prior notice of withdrawal (not available in South Carolina)

6 Month Term Note

1 Year Term Note

2 ½ Year Term Note

4 Year Term Note

5 Year Term Note

Ministry Rate Term Note related to the following Borrowing Church: \_\_\_\_\_  
(available only if the church is participating in a matching funds loan program)

**INVESTOR HAS NO RIGHT OF WITHDRAWAL PRIOR TO MATURITY. If HIS Fund, in its discretion, permits early withdrawal, interest penalty and processing fee may apply. Restrictions on transfer apply. See the Prospectus.**

**INTEREST OPTIONS** (Please check either “Compound Interest” or “Pay Interest” below and, if you choose “Pay Interest,” please check one of the interest payment options. If you do not elect any of the options, all interest will be automatically redeposited. Interest is compounded on a quarterly basis only if interest is left on deposit. Interest rate on all Demand Notes is variable. Interest on Term Notes is fixed at time of issuance. See “Description of Securities” in the Prospectus.)

- Compound Interest (redeposit)  
Quarterly (every three months)†
- OR**
- Pay Interest (please choose payment frequency by checking one of the options below) †\*
- Monthly
  - Quarterly (every three months)
  - Semi-Annually (every six months)
  - Annually (every twelve months) (not available with 2 ½ Year Note)

† Interest payment or compounding period is currently based on the number of months specified above (1, 3, 6 or 12 months, as applicable) from the end of the month of purchase with the first interest payment or redeposit occurring as of the end of the month of purchase. HIS Fund reserves the right to adjust this method in its discretion.

\* Interest will be paid via Direct Deposit. Please complete the Direct Deposit Form available on our website.

The undersigned hereby applies to purchase a Note in accordance with this Application and the provisions of the Prospectus dated April 24, 2017 receipt of which is hereby acknowledged. The undersigned represents that the undersigned is a member of, contributor to or participant in the General Council of the Assemblies of God, the Pennsylvania-Delaware District Council of the Assemblies of God, or in a program, activity, or organization which constitutes a part of the General Council or the District Council, or in a church organization that has a programmatic relationship with the General Council or the District Council.

1. <hr/> <b>PRINT NAME &amp; TITLE</b>	<hr/> <b>SIGNATURE</b>	<hr/> <b>DATE</b>
2. <hr/> <b>PRINT NAME &amp; TITLE</b>	<hr/> <b>SIGNATURE</b>	<hr/> <b>DATE</b>

***Churches/Organization are required to provide TWO Authorized Signatures unless otherwise specified on your Church/Organization Resolution.***

***Trusts are required to provide their Trust document along with this purchase application.***

How did you hear about us? Check any that apply –

- District Council    Conference    Pastor    From a friend    Other: \_\_\_\_\_

**Acceptance of this Application by HIS Fund will be evidenced by a written confirmation. HIS Fund reserves the right to reject any application for any reason in its discretion.**

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PHONE: (717) 796-9784  
FAX: (717)795-9568  
www.hisfund.com

**SELF-DIRECTED IRA NOTE PURCHASE APPLICATION**

Please complete and sign this application and return it, along with your check, to the above address. A separate purchase application must be completed and submitted for each Note you desire to purchase. Heritage Investment Services Fund, Inc. (HIS Fund), in its discretion, may limit the number of Notes an investor may hold (any limitation will be applied separately to Notes purchased for an IRA). Checks from IRA owners should be made payable to your IRA custodian, who will be responsible for delivering the amount of the purchase price to HIS Fund. By signing this Application, the IRA account owner is instructing the custodian or trustee of the IRA to purchase the Note indicated below.

**TYPE OF IRA** (Please check only one):

ROTH IRA                       Traditional IRA                       Simple IRA                       SEP IRA

Self-Directed IRA Account Owner			Custodian/Trustee Information		
FIRST NAME	MI	LAST NAME	IRA CUSTODIAN <b>GoldStar Trust Company, P.O. Box 719, Canyon, TX 79015-0719</b>		
SOCIAL SECURITY NUMBER		DATE OF BIRTH (mm/dd/yyyy)	If your IRA custodian or trustee is not as indicated above, please cross out the name typed above and provide correct information below:		
STATE OF RESIDENCE					
MAILING ADDRESS					
Street			Custodian Name		
City		State	Zip Code	Street	
Telephone No.: _____			City		
Email: _____			State		
<input type="checkbox"/> This is my new address, please update your records accordingly.			Zip Code		
			Telephone No.: _____		
			Email: _____		

**AMOUNT OF PURCHASE:** \$ \_\_\_\_\_ (\$500 minimum) (DO NOT SEND CASH)  
Checks should be made payable to your Custodian/Trustee

**TYPE OF NOTE DESIRED** (Please check only one - See "Description of Securities" in the Prospectus):

Demand plus 30 days prior notice of withdrawal (not available in South Carolina)

6 Month Term Note

1 Year Term Note

2 ½ Year Term Note

4 Year Term Note

5 Year Term Note

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(available only if the church is participating in a matching funds loan program)

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**INTEREST OPTIONS** (Please check either "Compound Interest" or "Pay Interest" below and, if you choose "Pay Interest," please check one of the interest payment options. If you do not elect any of the options, all interest will be automatically redeposited. Interest is compounded on a quarterly basis only if interest is left on deposit. Interest rate on all Demand Notes is variable. Interest on Term Notes is fixed at time of issuance. See "Description of Securities" in the Prospectus.)

- Compound Interest (redeposit)  
Quarterly (every three months)†
- OR**  Pay Interest (please choose payment frequency by checking one of the options below) †\*
- Monthly
  - Quarterly (every three months)
  - Semi-Annually (every six months)
  - Annually (every twelve months) (not available with 2 ½ Year Note)

† Interest payment or compounding period is currently based on the number of months specified above (1, 3, 6 or 12 months, as applicable) from the end of the month of purchase with the first interest payment or redeposit occurring as of the end of the month of purchase. HIS Fund reserves the right to adjust this method in its discretion.

\* Interest will be paid to the IRA Custodian/Trustee and not directly to the Account Owner.

The undersigned hereby applies to purchase a Note in accordance with this Application and the provisions of the Prospectus dated April 24, 2017 receipt of which is hereby acknowledged. The undersigned represents that the undersigned is a member of, contributor to or participant in the General Council of the Assemblies of God, the Pennsylvania-Delaware District Council of the Assemblies of God, or in a program, activity, or organization which constitutes a part of the General Council or the District Council, or in a church organization that has a programmatic relationship with the General Council or the District Council.

<hr/> <i>Self-Directed IRA Account Owner Signature</i>	<hr/> <i>Date</i>
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How did you hear about us? Check any that apply –  
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