CALVARY ALBUQUERQUE, INC.
AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2013 and 2012

CapinCrouse LLP
Certified Public Accountants

CALVARY ALBUQUERQUE, INC.
AND AFFILIATE

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CAPINCROUSE LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Calvary Albuquerque, Inc. and Affiliate
Albuquerque, New Mexico

We have audited the accompanying consolidated financial statements of Calvary Albuquerque, Inc. and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Board of Directors
Calvary Albuquerque, Inc. and Affiliate
Albuquerque, New Mexico

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Calvary Albuquerque, Inc. and Affiliate as of December 31, 2013 and 2012, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Littleton, Colorado
April 3, 2014

CALVARY ALBUQUERQUE, INC.
AND AFFILIATE

Consolidated Statements of Financial Position

	December 31, 2013	December 31, 2012
ASSETS:		
Current Assets:		
Cash and cash equivalents	$ 2,315,083	$ 1,238,615
Accounts receivable–net	71,855	97,309
Inventory	272,740	366,714
Prepaid expenses and other assets	61,195	43,403
	2,720,873	1,746,041
Property and equipment–net	16,051,465	16,240,428
Radio station FCC licenses	2,661,000	3,823,702
Total Assets	$ 21,433,338	$ 21,810,171
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current Liabilities:		
Accounts payable	$ 137,230	$ 141,379
Accrued and other liabilities	368,805	307,659
Line of credit	1,000,000	1,000,000
Note payable	-	427,908
	1,506,035	1,876,946
Net assets:		
Unrestricted:		
Operating	2,118,778	1,236,337
Equity in property and equipment–net	17,712,465	18,636,222
	19,831,243	19,872,559
Temporarily restricted	96,060	60,666
	19,927,303	19,933,225
Total Liabilities and Net Assets	$ 21,433,338	$ 21,810,171

See notes to consolidated financial statements

CALVARY ALBUQUERQUE, INC.
AND AFFILIATE

Consolidated Statements of Activities

	For the Year Ended December 31,					
	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	$ 9,788,241	$ 1,256,409	$ 11,044,650	$ 9,267,931	$ 1,364,035	$ 10,631,966
Sales and advertising income	1,619,527	-	1,619,527	1,717,674	-	1,717,674
Ministry income	316,604	-	316,604	394,757	-	394,757
Rental income	213,433	-	213,433	192,901	-	192,901
Other income	27,237	-	27,237	18,290	-	18,290
Loss on license impairment	(1,162,702)	-	(1,162,702)	-	-	-
Total Support and Revenue	10,802,340	1,256,409	12,058,749	11,591,553	1,364,035	12,955,588
NET ASSETS RELEASED:						
Purpose restrictions	1,221,015	(1,221,015)	-	1,303,369	(1,303,369)	-
EXPENSES:						
Salaries and benefits	5,437,954	-	5,437,954	5,439,214	-	5,439,214
Ministry	1,513,168	-	1,513,168	1,555,874	-	1,555,874
Facilities	1,253,337	-	1,253,337	1,082,363	-	1,082,363
Office expense	1,234,942	-	1,234,942	1,301,064	-	1,301,064
Missions and outreach	912,424	-	912,424	1,144,202	-	1,144,202
Depreciation	890,769	-	890,769	972,731	-	972,731
Cost of goods sold	777,154	-	777,154	1,000,615	-	1,000,615
Other expenses	44,923	-	44,923	103,192	-	103,192
Total Expenses	12,064,671	-	12,064,671	12,599,255	-	12,599,255
Change in Net Assets	(41,316)	35,394	(5,922)	295,667	60,666	356,333
Net Assets, Beginning of Year	19,872,559	60,666	19,933,225	19,576,892	-	19,576,892
Net Assets, End of Year	$ 19,831,243	$ 96,060	$ 19,927,303	$ 19,872,559	$ 60,666	$ 19,933,225

See notes to consolidated financial statements

CALVARY ALBUQUERQUE, INC.
AND AFFILIATE

Consolidated Statements of Cash Flows

	For the Year Ended December 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (5,922)	$ 356,333
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	890,769	972,731
Gift-in-kind contribution of property	(605,000)	-
Loss on license impairment	1,162,702	-
Loss on sale of property and equipment	-	77,061
Changes in operating assets and liabilities:		
Accounts receivable–net	25,454	(1,512)
Inventory	93,974	33,276
Prepaid expenses and other assets	(17,792)	(8,379)
Accounts payable, accrued and other liabilities	56,997	6,184
Net Cash Provided by Operating Activities	1,601,182	1,435,694
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(96,806)	(401,998)
Net Cash Used by Investing Activities	(96,806)	(401,998)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings on line of credit	-	322,563
Principal payments on note payable	(427,908)	(1,512,714)
Net Cash Used by Financing Activities	(427,908)	(1,190,151)
Net Change in Cash and Cash Equivalents	1,076,468	(156,455)
Cash and Cash Equivalents, Beginning of Year	1,238,615	1,395,070
Cash and Cash Equivalents, End of Year	$ 2,315,083	$ 1,238,615
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest (none capitalized):	$ 37,441	$ 113,213

See notes to consolidated financial statements

1. NATURE OF ORGANIZATION:

Calvary Albuquerque, Inc. (the Church) is dedicated to proclaiming the Gospel of Jesus Christ. The Church is passionate about pursuing the lost world, which they demonstrate with one another, through worship, by the Word, and to the world.

The Church operates two radio stations, KNKT and KLYT. KNKT sells advertising and KLYT is a "non-commercial" station as classified by the Federal Communications Commission (FCC). Non-commercial stations are not allowed to advertise and are exempt from tax under Section 501(c)(3). Contributions to non-commercial stations are tax deductible within the limitations prescribed by the Internal Revenue Code. In 2011, the Church acquired two additional non-commercial stations, KPKJ and KKCJ, from another church.

During the year ended December 31, 2013, San Jose Plaza, LLC (the LLC) was formed. The LLC is a wholly-owned subsidiary of the Church. The consolidated financial statements for the year ended December 31, 2013, include the operations and financial position of this affiliated entity.

The Church, established in 1983, is a nonprofit organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (the Code), and as such are subject to income taxes only to the extent of unrelated business income. The Church has been classified as a publicly supported organization, which is not a private foundation, under Section 509(a) of the Code. Contributions from the Church's attendees are the primary source of revenue for the Church and are deductible for income tax purposes for the donors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of the Church have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in checking and savings accounts. These accounts may, at times, exceed federally insured limits. The Church has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due from radio advertisement services. Outstanding receivables are reported net of an allowance for doubtful accounts of $12,500 as of December 31, 2013 and 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVENTORY

Inventory is valued at the lower of cost or market using the weighted-average method which approximates the first-in, first-out method. Inventory is held for sale and consists primarily of bookstore and online store merchandise. Management does not believe that an allowance for inventory was required for the years ended December 31, 2013 and 2012.

PROPERTY AND EQUIPMENT

Expenditures for property and equipment greater than $5,000 and with a useful life of greater than one year are capitalized at cost. Donated items are recorded at fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from three to thirty years.

RADIO STATION FCC LICENSES

Radio licenses are recorded at cost. The Church has determined that the four licenses have indefinite lives, as renewing the license does not carry any specific requirements. If an intangible asset is determined to have an indefinite useful life, it shall not be amortized until its useful life is determined to be no longer indefinite. The most recent appraisals of the Church's FCC radio licenses showed impairments for three of the licenses as of December 31, 2013. These impairments are reported in the consolidated statements of activities as loss on license impairment. No impairment was identified as of December 31, 2012.

CLASSES OF NET ASSETS

The consolidated financial statements report amounts by class of net assets:

Unrestricted net assets are those resources currently available for operations under the direction of the board and those resources invested in property and equipment.

Temporarily restricted net assets are those resources stipulated by donors for specific purposes.

SUPPORT, REVENUE, AND EXPENSES

Contributions are recognized when they are made, which may be when funds are received, unconditional promises are made, or ownership of other assets is transferred to the Church. Contributions restricted by the donor for a specific purpose are recorded as income in the temporarily restricted class of net assets until funds have been expended by the Church for the purposes specified. Upon satisfaction of the restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from purpose restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES, continued

Rental income consists of amounts received for building space leased to third parties and is recognized when earned, which is when the service has been provided. Ministry income is recognized when earned and consists of programs related to students, youth, and adults. Sales income, which is generated from the bookstore, café, and radio advertising sales, is recognized when earned. Other income is also recognized when earned.

Expenses are recognized in accordance with the accrual basis of accounting.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of December 31, 2013, the Church had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

RECLASSIFICATION

Certain prior period amounts have been reclassified to conform with current year presentation.

3. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	December 31,	
	2013	2012
Land and improvements	$ 3,983,154	$ 3,747,204
Buildings and improvements	20,915,384	20,525,321
Vehicles, equipment, and furnishings	2,645,809	2,632,395
	27,544,347	26,904,920
Less accumulated depreciation	(11,555,262)	(10,664,492)
	15,989,085	16,240,428
Projects in process	62,380	-
	$ 16,051,465	$ 16,240,428

Depreciation expense was $890,769 and $972,731 for the years ended December 31, 2013 and 2012, respectively.

3. PROPERTY AND EQUIPMENT–NET, continued:

Equity in property and equipment–net consists of:

	December 31, 2013	December 31, 2012
Property and equipment–net	$ 16,051,465	$ 16,240,428
Radio station FCC licenses	2,661,000	3,823,702
Less line of credit	(1,000,000)	(1,000,000)
Less note payable	-	(427,908)
	$ 17,712,465	$ 18,636,222

4. LINE OF CREDIT:

The Church has a revolving line of credit with a financial institution with an interest rate of 3.25%, with interest due monthly. The line of credit matures in November 2014, with all unpaid principal and interest due at that time. The outstanding balance on the line of credit was $1,000,000 as of December 31, 2013 and 2012.

5. NOTE PAYABLE:

The note payable is held by a financial institution, with a fixed interest rate of 5.97%. Principal and interest payments of $40,572 are due monthly. The note is secured by the Church's property and equipment. During the year ended December 31, 2013, the Church paid the note payable in full.

The Church was in compliance with, or received waivers for, all financial and reporting covenants as of December 31, 2013.

Subsequent to year end, the Church entered into a construction loan agreement with the ability to borrow up to $2,500,000. The line of credit discussed in the note above was paid in full using proceeds from this construction loan. No additional draws have been made as of the report date.

6. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consists of:

	December 31, 2013	December 31, 2012
Benevolence	$ 48,332	$ 37,199
Outreach	39,707	8,132
Other projects	8,021	15,335
	$ 96,060	$ 60,666

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

7. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing various program services and supporting activities have been summarized on a functional basis below. Accordingly, costs related to more than one function have been allocated between program services and supporting activities. Functional expenses are:

	For the Year Ended December 31, 2013	2012
Program services:		
Church activities	$ 5,376,540	$ 6,915,220
Radio activities	2,079,164	1,121,387
Cost of goods sold, Bibles, and other ministry literature	1,580,360	1,214,836
Missions and outreach	1,378,494	1,237,651
	10,414,558	10,489,094
General and administrative	1,650,113	2,110,161
	$ 12,064,671	$ 12,599,255

8. RETIREMENT PLAN:

The Church sponsors a defined contribution retirement plan for employees. To participate in the plan, employees must be full-time and have a minimum of three years continuous employment with the Church. The Church does not contribute to the plan.

9. OPERATING LEASES:

The Church leases office equipment, meeting space, and storage space under various operating lease agreements. Rental expense, including month-to-month agreements not included below, for the years ending December 31, 2013 and 2012, was $311,999 and $326,761, respectively. Future commitments under non-cancelable lease agreements are:

Year Ending December 31,	
2014	$ 161,406
2015	160,512
2016	84,805
	$ 406,723

9. OPERATING LEASES, continued:

The Church leases a portion of its property and has several cell tower leases. Lease income under these leases for the years ended December 31, 2013 and 2012, was $213,433 and $192,901, respectively. Future minimum lease income is:

Year Ending December 31,		
2014	$	218,450
2015		178,252
2016		158,081
	$	554,783

10. RELATED PARTY TRANSACTIONS:

The Church has entered into a lease agreement for the use of a building in Santa Fe, New Mexico to hold church services. The managing member of the company that owns the building is a member of the Church's board of directors. The lease term is April 1, 2011 through March 31, 2016, with monthly rent expense of $6,730. The Church paid $83,640 and $84,131 in related party rent expense for the years ended December 31, 2013 and 2012, respectively. This member of the board of directors also is the executive director of a nonprofit organization to which the Church donated $25,319 and $19,898 during the years ended December 31, 2013 and 2012, respectively.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the date of the report, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.