



**CALVARY ALBUQUERQUE, INC.
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2015 and 2014

**CALVARY ALBUQUERQUE, INC.
AND AFFILIATES**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Calvary Albuquerque, Inc. and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, 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 Affiliates
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 Affiliates as of December 31, 2015 and 2014, 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

Colorado Springs, Colorado
May 5, 2016

**CALVARY ALBUQUERQUE, INC.
AND AFFILIATES**

Consolidated Statements of Financial Position

	December 31,	
	2015	2014
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 1,899,516	\$ 1,768,478
Accounts receivable–net	71,506	127,658
Inventory	281,278	245,926
Prepaid expenses and other assets	16,861	5,959
	2,269,161	2,148,021
Property and equipment–net	16,341,808	16,346,005
Radio station FCC licenses	2,661,000	2,661,000
	\$ 21,271,969	\$ 21,155,026
Total Assets	\$ 21,271,969	\$ 21,155,026
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 224,196	\$ 138,319
Construction accounts payable	391,821	-
Accrued and other liabilities	229,008	190,576
Note payable	300,656	286,208
	1,145,681	615,103
Note payable, net of current portion	160,514	460,616
	1,306,195	1,075,719
Net assets:		
Unrestricted:		
Operating	1,370,454	1,761,889
Equity in property, equipment, and licenses	18,541,638	18,260,181
	19,912,092	20,022,070
Temporarily restricted	53,682	57,237
	19,965,774	20,079,307
Total Liabilities and Net Assets	\$ 21,271,969	\$ 21,155,026

See notes to consolidated financial statements

**CALVARY ALBUQUERQUE, INC.
AND AFFILIATES**

Consolidated Statements of Activities

	Year Ended December 31,					
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 8,617,644	\$ 1,347,550	\$ 9,965,194	\$ 9,236,194	\$ 1,184,766	\$ 10,420,960
Sales and advertising income	1,543,989	-	1,543,989	1,612,321	-	1,612,321
Ministry income	462,437	-	462,437	305,272	-	305,272
Rental and other income	268,654	-	268,654	285,736	-	285,736
Total Support and Revenue	10,892,724	1,347,550	12,240,274	11,439,523	1,184,766	12,624,289
NET ASSETS RELEASED:						
Purpose restrictions	1,351,105	(1,351,105)	-	1,223,589	(1,223,589)	-
EXPENSES:						
Salaries and benefits	5,681,292	-	5,681,292	5,877,713	-	5,877,713
Ministry	1,465,729	-	1,465,729	1,489,083	-	1,489,083
Office expense	1,332,354	-	1,332,354	1,251,449	-	1,251,449
Facilities	1,147,750	-	1,147,750	1,180,219	-	1,180,219
Depreciation	1,069,197	-	1,069,197	965,446	-	965,446
Missions and outreach	931,727	-	931,727	834,285	-	834,285
Cost of goods sold	725,758	-	725,758	874,090	-	874,090
Total Expenses	12,353,807	-	12,353,807	12,472,285	-	12,472,285
Change in Net Assets	(109,978)	(3,555)	(113,533)	190,827	(38,823)	152,004
Net Assets, Beginning of Year	20,022,070	57,237	20,079,307	19,831,243	96,060	19,927,303
Net Assets, End of Year	\$ 19,912,092	\$ 53,682	\$ 19,965,774	\$ 20,022,070	\$ 57,237	\$ 20,079,307

See notes to consolidated financial statements

**CALVARY ALBUQUERQUE, INC.
AND AFFILIATES**

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (113,533)	\$ 152,004
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,069,197	965,446
Changes in operating assets and liabilities:		
Accounts receivable–net	56,152	(55,803)
Inventory	(35,352)	26,814
Prepaid expenses and other assets	(10,902)	55,236
Accounts payable	85,877	1,089
Accrued and other liabilities	38,432	(178,229)
Net Cash Provided by Operating Activities	1,089,871	966,557
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(673,179)	(1,259,986)
Net Cash Used by Investing Activities	(673,179)	(1,259,986)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings on note payable	-	1,000,000
Payments on note payable	(285,654)	(253,176)
Payments on line of credit	-	(1,000,000)
Net Cash Used by Financing Activities	(285,654)	(253,176)
Net Change in Cash and Cash Equivalents	131,038	(546,605)
Cash and Cash Equivalents, Beginning of Year	1,768,478	2,315,083
Cash and Cash Equivalents, End of Year	\$ 1,899,516	\$ 1,768,478
SUPPLEMENTAL DISCLOSURE AND NON-CASH ITEM:		
Cash paid for interest (none capitalized)	\$ 29,850	\$ 42,021
Property and equipment purchased through construction accounts payable	\$ 391,821	\$ -

See notes to consolidated financial statements

CALVARY ALBUQUERQUE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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 four radio stations. One sells advertising and the other three are 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 2013, the Church created wholly-owned subsidiaries, 1601 Broadway LLC and 6707 Washington, LLC. The consolidated financial statements for the years ended December 31, 2015 and 2014, include the operations and financial position of these affiliated entities. Calvary Albuquerque, Inc. and the LLCs are herein referred to collectively as the Church.

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 support and 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, 2015 and 2014.

CALVARY ALBUQUERQUE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014.

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 initially recorded at cost and tested annually for impairment. The Church has determined that the 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. Appraisals of the Church's FCC radio licenses showed impairments for three of the licenses in 2013. No impairment was identified as of December 31, 2015 or 2014.

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-net.

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.

CALVARY ALBUQUERQUE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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.

ADVERTISING

The Church uses advertising to promote its programs. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2015 and 2014 was \$98,994 and \$27,792, respectively.

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, 2015, the Church had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

The Church is generally no longer subject to federal and state tax examinations by tax authorities for years prior to 2012.

3. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of:

	December 31,	
	2015	2014
Land and improvements	\$ 4,133,432	\$ 4,133,432
Buildings and improvements	21,239,236	21,013,614
Vehicles, equipment, and furnishings	3,575,560	3,576,292
	<u>28,948,228</u>	<u>28,723,338</u>
Less accumulated depreciation	(13,473,665)	(12,495,066)
	<u>15,474,563</u>	<u>16,228,272</u>
Projects in process	867,245	117,733
	<u>\$ 16,341,808</u>	<u>\$ 16,346,005</u>

**CALVARY ALBUQUERQUE, INC.
AND AFFILIATES**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

3. PROPERTY AND EQUIPMENT–NET, continued:

Depreciation expense was \$1,069,197 and \$965,446 for the years ended December 31, 2015 and 2014, respectively.

Equity in property, equipment, and licenses consists of:

	December 31,	
	2015	2014
Property and equipment–net	\$ 16,341,808	\$ 16,346,005
Radio station FCC licenses	2,661,000	2,661,000
Less note payable	(461,170)	(746,824)
	\$ 18,541,638	\$ 18,260,181

4. NOTE PAYABLE:

	December 31,	
	2015	2014
Note payable with a financial institution with the ability to borrow up to \$2,500,000, secured by property and equipment. Note payable has a fixed interest rate of 4.75% and matures in January 2024, with principal and interest payments of \$26,292 due monthly.	\$ 461,170	\$ 746,824

Future minimum payments are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 300,656
2017	160,514
	\$ 461,170

The Church was in compliance with, or received waivers for, all financial and reporting covenants as of December 31, 2015.

**CALVARY ALBUQUERQUE, INC.
AND AFFILIATES**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	December 31,	
	2015	2014
Benevolence	\$ 43,070	\$ 45,228
Outreach and other projects	10,612	12,009
	\$ 53,682	\$ 57,237

6. 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,	
	2015	2014
Program services:		
Church activities	\$ 5,053,186	\$ 5,130,054
Cost of goods sold, Bibles, and other ministry literature	2,211,074	2,382,000
Radio activities	1,954,120	1,983,846
Missions and outreach	1,369,767	1,278,989
	10,588,147	10,774,889
General and administrative	1,765,660	1,697,396
	\$ 12,353,807	\$ 12,472,285

7. 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 one year continuous employment with the Church.

CALVARY ALBUQUERQUE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

8. 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, 2015 and 2014, was \$179,024 and \$155,180, respectively. Future commitments under non-cancelable lease agreements are:

<u>Year Ending December 31,</u>	
2016	\$ 125,773
2017	40,248
2018	26,397
2019	22,752
2020	13,272
	<hr/>
	\$ 228,442
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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, 2015 and 2014, was \$218,254 and \$239,419, respectively. Future minimum lease income is:

<u>Year Ending December 31,</u>	
2016	\$ 185,238
2017	142,764
2018	142,410
2019	72,258
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	\$ 542,670
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9. 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 \$87,680 and \$76,670 in related party rent expense for the years ended December 31, 2015 and 2014, respectively. This member of the board of directors also is the executive director of a nonprofit organization to which the Church donated \$22,647 and \$22,638 during the years ended December 31, 2015 and 2014, respectively.

10. 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.