



CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES

Consolidated Financial Statements  
With Independent Auditors' Report

December 31, 2016 and 2015

**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, 2016 and 2015, 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, 2016 and 2015, 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  
April 28, 2017

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Consolidated Statements of Financial Position**

	December 31,	
	2016	2015
<b>ASSETS:</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,943,045	\$ 1,899,516
Accounts receivable–net and other assets	116,397	88,367
Inventory	283,653	281,278
Assets held for deferred compensation	52,000	-
	2,395,095	2,269,161
Property held for investment–net	1,563,958	1,618,393
Radio station FCC licenses	2,661,000	2,661,000
Property and equipment–net	14,068,541	14,723,415
	\$ 20,688,594	\$ 21,271,969
<b>Total Assets</b>	<b>\$ 20,688,594</b>	<b>\$ 21,271,969</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 174,727	\$ 224,196
Construction accounts payable	-	391,821
Deferred compensation liability	52,000	-
Accrued expenses and other liabilities	359,380	229,008
Note payable	161,235	300,656
	747,342	1,145,681
Note payable, net of current portion	-	160,514
	747,342	1,306,195
Net assets:		
Unrestricted:		
Operating	1,726,538	1,370,454
Equity in property held for investment	1,563,958	1,618,393
Equity in property, equipment, and licenses	16,568,306	16,923,245
	19,858,802	19,912,092
Temporarily restricted	82,450	53,682
	19,941,252	19,965,774
<b>Total Liabilities and Net Assets</b>	<b>\$ 20,688,594</b>	<b>\$ 21,271,969</b>

See notes to consolidated financial statements

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Consolidated Statements of Activities**

	Year Ended December 31,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 9,207,711	\$ 1,431,393	\$ 10,639,104	\$ 8,617,644	\$ 1,347,550	\$ 9,965,194
Sales and advertising income	1,445,738	-	1,445,738	1,543,989	-	1,543,989
Ministry income	602,366	-	602,366	462,437	-	462,437
Rental and other income	309,728	-	309,728	268,654	-	268,654
<b>Total Support and Revenue</b>	<b>11,565,543</b>	<b>1,431,393</b>	<b>12,996,936</b>	<b>10,892,724</b>	<b>1,347,550</b>	<b>12,240,274</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	1,402,625	(1,402,625)	-	1,351,105	(1,351,105)	-
<b>EXPENSES:</b>						
Salaries and benefits	6,255,309	-	6,255,309	5,681,292	-	5,681,292
Ministry	1,614,901	-	1,614,901	1,428,970	-	1,428,970
Office expense	1,324,867	-	1,324,867	1,332,354	-	1,332,354
Facilities and other	1,312,557	-	1,312,557	1,184,509	-	1,184,509
Depreciation	1,115,011	-	1,115,011	1,069,197	-	1,069,197
Missions and outreach	821,862	-	821,862	931,727	-	931,727
Cost of goods sold	576,951	-	576,951	725,758	-	725,758
<b>Total Expenses</b>	<b>13,021,458</b>	<b>-</b>	<b>13,021,458</b>	<b>12,353,807</b>	<b>-</b>	<b>12,353,807</b>
Change in Net Assets	(53,290)	28,768	(24,522)	(109,978)	(3,555)	(113,533)
Net Assets, Beginning of Year	19,912,092	53,682	19,965,774	20,022,070	57,237	20,079,307
Net Assets, End of Year	<u>\$ 19,858,802</u>	<u>\$ 82,450</u>	<u>\$ 19,941,252</u>	<u>\$ 19,912,092</u>	<u>\$ 53,682</u>	<u>\$ 19,965,774</u>

See notes to consolidated financial statements

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Consolidated Statements of Cash Flows**

	Year Ended December 31,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (24,522)	\$ (113,533)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,115,011	1,069,197
Gain on sale of asset	(49,750)	-
Changes in operating assets and liabilities:		
Accounts receivable–net and other assets	(28,030)	45,250
Inventory	(2,375)	(35,352)
Assets held for deferred compensation	(52,000)	-
Accounts payable	(49,469)	85,877
Construction accounts payable	(391,821)	-
Deferred compensation liability	52,000	-
Accrued expenses and other liabilities	130,372	38,432
Net Cash Provided by Operating Activities	699,416	1,089,871
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds on sale of asset	49,750	-
Purchases of property and equipment	(405,702)	(673,179)
Net Cash Used by Investing Activities	(355,952)	(673,179)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on note payable	(299,935)	(285,654)
Net Cash Used by Financing Activities	(299,935)	(285,654)
Net Change in Cash and Cash Equivalents	43,529	131,038
Cash and Cash Equivalents, Beginning of Year	1,899,516	1,768,478
Cash and Cash Equivalents, End of Year	\$ 1,943,045	\$ 1,899,516
<b>NON-CASH ITEM:</b>		
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, 2016 and 2015

### 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 two wholly-owned subsidiaries, 1601 Broadway, LLC and 6707 Washington, LLC. The consolidated financial statements for the years ended December 31, 2016 and 2015, 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 AND OTHER ASSETS

Accounts receivable and other assets consist of amounts due from radio advertisement services and prepaid insurance. Outstanding receivables are reported net of an allowance for doubtful accounts of \$12,500 as of December 31, 2016 and 2015.



# CALVARY ALBUQUERQUE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

### 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 as of December 31, 2016 and 2015.

#### ASSETS HELD FOR DEFERRED COMPENSATION

Assets held for deferred compensation consist of a fixed annuity contract that is reported at surrender value. The surrender value equals the accumulated cash contributions and interest credited to the contract, less any charges that would be incurred for premature withdrawal. These assets are held to satisfy the deferred compensation liability upon the retirement of select employees.

#### 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.

#### PROPERTY HELD FOR INVESTMENT

Property not used for operating purposes or not actively marketed to be sold is classified as property held for investment on the consolidated statements of financial position. Property held for investment is recorded at historical cost, with depreciation taken on depreciable assets. Depreciation expense, related to properties held for investment, was \$54,435 each year for the years ended December 31, 2016 and 2015. As of December 31, 2016 and 2015, property held for investment purposes consists of building space the Church rents out in two locations. See note 8 for lease income received from these properties.

#### 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. No impairment was identified as of December 31, 2016 or 2015.

# CALVARY ALBUQUERQUE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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 and those resources invested in property and equipment—net, property held for investment—net, and radio station FCC licenses.

*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.

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 when incurred, 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, 2016 and 2015, was \$75,494 and \$98,994, 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, 2016, 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 2013.

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

3. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of:

	December 31,	
	2016	2015
Land and improvements	\$ 3,897,482	\$ 3,897,482
Buildings and improvements	20,329,110	19,606,189
Vehicles, equipment, and furnishings	4,016,631	3,575,560
	28,243,223	27,079,231
Less accumulated depreciation	(14,283,637)	(13,223,061)
	13,959,586	13,856,170
Projects in process	108,955	867,245
	\$ 14,068,541	\$ 14,723,415

Equity in property, equipment, and licenses consists of:

	December 31,	
	2016	2015
Property and equipment—net	\$ 14,068,541	\$ 14,723,415
Radio station FCC licenses	2,661,000	2,661,000
Less note payable	(161,235)	(461,170)
	\$ 16,568,306	\$ 16,923,245

Depreciation expense was \$1,060,576 and \$1,014,762 for the years ended December 31, 2016 and 2015, respectively.

4. NOTE PAYABLE:

In January 2014, the Church entered into an agreement with a financial institution for the ability to borrow up to \$2,500,000, secured by property and equipment. The 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. Future minimum payments are \$160,514 for the year ending December 31, 2017.

The Church was in compliance with, or received waivers for, all financial and reporting covenants as of December 31, 2016.

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

5. LINE OF CREDIT

The Church maintains a secured line of credit with a financial institution in the amount of \$1,000,000. The interest rate is the prime rate, which as of December 31, 2016, and 2015, was 3.75% and 3.5%, respectively. During the year ended, December 31, 2016, and 2015, no draws had been made on the line of credit. This line of credit expired in December 2016. Subsequent to the year ended December 31, 2016, the Church renewed the \$1,000,000 line of credit, extending the maturity date until December 2017.

6. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	December 31,	
	2016	2015
Benevolence	\$ 49,884	\$ 43,070
Outreach and other projects	32,566	10,612
	\$ 82,450	\$ 53,682

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:

	Year Ended December 31,	
	2016	2015
Program services:		
Church activities	\$ 6,208,293	\$ 5,053,186
Bookstore, café, and preschool	2,154,788	2,211,074
Missions and outreach	1,275,883	1,369,767
Radio activities	1,085,714	1,954,120
	10,724,678	10,588,147
General and administrative	2,296,780	1,765,660
	\$ 13,021,458	\$ 12,353,807

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

8. RETIREMENT PLAN:

The Church sponsors a defined contribution retirement plan for employees. During the year ended December 31, 2015, to participate in the plan, employees had to be full-time and have a minimum of one year continuous employment with the Church. During the year ended December 31, 2016, the Church amended the plan to remove these requirements, meaning all employees over 18 are immediately eligible to participate in the plan. Also, the Church will now match the employees' deferral up to 3%. The employee will not be vested until 3 years of employment, at which point they will be fully vested. Employer contributions for the year ended December 31, 2016, were \$76,799.

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, 2016 and 2015, was \$191,641 and \$179,024, respectively. Future commitments under non-cancelable lease agreements are:

<u>Year Ending December 31,</u>		
2017	\$	125,928
2018		47,817
2019		22,752
2020		13,272
		13,272
	\$	209,769

The Church leases a portion of its property and has several cell tower leases. Lease income earned from property held for investment under these leases is reported net of operating expenses and was \$221,507 and \$218,254 for the years ended December 31, 2016 and 2015, respectively. Future minimum lease income, net of expected operating expenses for rental properties, is:

<u>Year Ending December 31,</u>		
2017	\$	225,989
2018		216,320
2019		100,938
2020		29,870
2021		18,460
		18,460
	\$	591,577

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

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. During the year ended December 31, 2016, this lease was renewed through March 31, 2018, with monthly expenses of \$7,140. The Church paid \$89,040 and \$87,680 in related party rent expense for the years ended December 31, 2016 and 2015, respectively. This member of the board of directors also is the executive director of a nonprofit organization to which the Church donated \$31,665 and \$22,647 during the years ended December 31, 2016 and 2015, 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.