CALVARY ALBUQUERQUE, INC.
AND AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2017 and 2016

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, 2017 and 2016, 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.

2435 Research Parkway, Suite 200
Colorado Springs, CO 80920
719.528.6225
capincrouse.com

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, 2017 and 2016, 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
June 19, 2018

CALVARY ALBUQUERQUE, INC.
AND AFFILIATES

Consolidated Statements of Financial Position

	December 31, 2017	December 31, 2016
ASSETS:		
Current Assets:		
Cash and cash equivalents	$ 1,689,699	$ 1,943,045
Accounts receivable–net and other assets	129,952	116,397
Inventory	300,310	283,653
Assets held for deferred compensation	94,812	52,000
	2,214,773	2,395,095
Property held for investment–net	1,509,523	1,563,958
Radio station FCC licenses	2,661,000	2,661,000
Property and equipment–net	17,796,751	14,068,541
Total Assets	$ 24,182,047	$ 20,688,594
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current Liabilities:		
Accounts payable	$ 309,104	$ 174,727
Deferred compensation liability	94,812	52,000
Accrued expenses and other liabilities	452,720	359,380
Notes payable, current portion	378,998	161,235
	1,235,634	747,342
Notes payable, net of current portion	3,832,993	-
	5,068,627	747,342
Net assets:		
Unrestricted:		
Operating	1,227,100	1,726,538
Equity in property held for investment	1,509,523	1,563,958
Equity in property, equipment, and licenses	16,245,760	16,568,306
	18,982,383	19,858,802
Temporarily restricted	131,037	82,450
	19,113,420	19,941,252
Total Liabilities and Net Assets	$ 24,182,047	$ 20,688,594

See notes to consolidated financial statements

CALVARY ALBUQUERQUE, INC.
AND AFFILIATES

Consolidated Statements of Activities

	Year Ended December 31,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	$ 9,519,884	$ 1,489,542	$ 11,009,426	$ 9,207,711	$ 1,431,393	$ 10,639,104
Sales and advertising income	1,458,501	-	1,458,501	1,445,738	-	1,445,738
Ministry income	414,936	-	414,936	602,366	-	602,366
Rental and other income	314,736	-	314,736	309,728	-	309,728
Total Support and Revenue	11,708,057	1,489,542	13,197,599	11,565,543	1,431,393	12,996,936
NET ASSETS RELEASED:						
Purpose restrictions	1,440,955	(1,440,955)	-	1,402,625	(1,402,625)	-
EXPENSES:						
Salaries and benefits	6,986,343	-	6,986,343	6,255,309	-	6,255,309
Office expense	1,687,400	-	1,687,400	1,324,867	-	1,324,867
Ministry	1,530,517	-	1,530,517	1,614,901	-	1,614,901
Facilities and other	1,105,796	-	1,105,796	1,312,557	-	1,312,557
Depreciation	1,178,561	-	1,178,561	1,115,011	-	1,115,011
Missions and outreach	883,364	-	883,364	821,862	-	821,862
Cost of goods sold	653,450	-	653,450	576,951	-	576,951
Total Expenses	14,025,431	-	14,025,431	13,021,458	-	13,021,458
Change in Net Assets	(876,419)	48,587	(827,832)	(53,290)	28,768	(24,522)
Net Assets, Beginning of Year	19,858,802	82,450	19,941,252	19,912,092	53,682	19,965,774
Net Assets, End of Year	$ 18,982,383	$ 131,037	$ 19,113,420	$ 19,858,802	$ 82,450	$ 19,941,252

See notes to consolidated financial statements

CALVARY ALBUQUERQUE, INC.
AND AFFILIATES

Consolidated Statements of Cash Flows

	Year Ended December 31, 2017	Year Ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (827,832)	$ (24,522)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,178,561	1,115,011
Gift-in-kind addition to property and equipment	(129,500)	-
Gain (loss) on sale of asset	25,448	(49,750)
Changes in operating assets and liabilities:		
Accounts receivable–net and other assets	(13,555)	(28,030)
Inventory	(16,657)	(2,375)
Assets held for deferred compensation	(42,812)	(52,000)
Accounts payable	134,377	(49,469)
Deferred compensation liability	42,812	52,000
Accrued expenses and other liabilities	93,340	130,372
Net Cash Provided by Operating Activities	444,182	1,091,237
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on sale of asset	-	49,750
Purchases of property and equipment	(1,523,284)	(405,702)
Payment on construction accounts payable	-	(391,821)
Net Cash Used by Investing Activities	(1,523,284)	(747,773)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	1,100,000	-
Principal payments on notes payable	(274,244)	(299,935)
Net Cash Provided (Used) by Financing Activities	825,756	(299,935)
Net Change in Cash and Cash Equivalents	(253,346)	43,529
Cash and Cash Equivalents, Beginning of Year	1,943,045	1,899,516
Cash and Cash Equivalents, End of Year	$ 1,689,699	$ 1,943,045
NON-CASH ITEM:		
Property and equipment obtained through notes payable	$ 3,225,000	$ -
Interest paid (none capitalized)	$ 69,779	$ 16,652

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 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, 2017 and 2016, 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 that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, the Church is subject to federal income tax on any unrelated business taxable income. In addition, the Church is not classified as a private foundation within the meaning of Section 509(a) of the IRC. 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. As of December 31, 2017 and 2016, amounts exceeding the federally insured limits were approximately $1,400,000 and $1,700,000, respectively. The Church has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2017 and 2016.

INVENTORY

Inventory is valued at the lower of cost or net realizable value 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, 2017 and 2016.

ASSETS HELD FOR DEFERRED COMPENSATION

Assets held for deferred compensation consist of a fixed annuity contract that is reported at accumulation value. The accumulation 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, 2017 and 2016. As of December 31, 2017 and 2016, property held for investment purposes consists of building space the Church rents out in two locations. See note 10 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, 2017 or 2016.

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, 2017 and 2016, was $86,561 and $75,494, respectively.

ADOPTION OF RECENTLY ISSUED PRONOUNCEMENTS
In July 2015, the Financial Accounting Standards Board (FASB) issued guidance that replaces the existing accounting standards for inventory measurement in Accounting Standards Update (ASU) 2015-11, Simplifying the Subsequent Measurement of Inventory. The guidance is effective for fiscal years beginning after December 15, 2016, and requires inventory to be measured at the lesser of cost or net realizable value. The Church adopted the provisions of this guidance in the year ended December 31, 2017, and there was no impact from the adoption on the balance of net assets as of December 31, 2016.

3. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	December 31, 2017	December 31, 2016
Land and improvements	$ 4,015,975	$ 3,897,482
Buildings and improvements	21,744,025	20,329,110
Vehicles, equipment, and furnishings	3,708,764	4,016,631
	29,468,764	28,243,223
Less accumulated depreciation	(15,376,959)	(14,283,637)
	14,091,805	13,959,586
Projects in process	3,704,946	108,955
	$ 17,796,751	$ 14,068,541

Equity in property, equipment, and licenses consists of:

	December 31, 2017	December 31, 2016
Property and equipment–net	$ 17,796,751	$ 14,068,541
Radio station FCC licenses	2,661,000	2,661,000
Less notes payable	(4,211,991)	(161,235)
	$ 16,245,760	$ 16,568,306

Depreciation expense for property and equipment was $1,124,126 and $1,060,576 for the years ended December 31, 2017 and 2016, respectively.

4. NOTES PAYABLE:

Notes payable consist of:

	December 31, 2017	December 31, 2016
Note payable to a financial institution, secured by property. Monthly payments of $20,298 are due, including interest at 4.375% fixed until July 2022. After that date, interest will be based on the Federal Home Loan Bank (Dallas index), plus a margin of 2.175 percentage points. The note matures in July 2027, at which point a balloon payment will be required.	$ 3,183,175	$ -
Note payable to a financial institution, secured by property. Monthly payments of $26,292 are due, including interest at 4.75% fixed. The note matures in January 2024.	1,028,816	161,235
	4,211,991	161,235
Less current portion of notes payable	(378,998)	(161,235)
	$ 3,832,993	$ -

Future minimum payments on the notes payable are:

Year Ending December 31,	
2018	$ 378,998
2019	396,982
2020	415,820
2021	292,318
2022	126,286
Thereafter	2,601,587
	$ 4,211,991

The Church was in compliance with, or received waivers for, all financial and reporting covenants as of December 31, 2017.

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, 2017, and 2016, was 4.25% and 3.75%, respectively. During the year ended, December 31, 2017, and 2016, no draws had been made on the line of credit. This line of credit expired in December 2017. Subsequent to the year ended December 31, 2017, the Church renewed the $1,000,000 line of credit, extending the maturity date until December 2018.

6. TEMPORARILY RESTRICTED NET ASSETS:
Temporarily restricted net assets consist of:

	December 31, 2017	December 31, 2016
Outreach and other projects	$ 69,921	$ 32,566
Benevolence	53,784	49,884
Other	7,332	-
	$ 131,037	$ 82,450

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, 2017	Year Ended December 31, 2016
Program services:		
Church activities	$ 6,925,951	$ 6,208,293
Bookstore, café, and preschool	2,344,367	2,154,788
Missions and outreach	1,389,072	1,275,883
Radio activities	1,048,039	1,085,714
	11,707,429	10,724,678
General and administrative	2,318,002	2,296,780
	$ 14,025,431	$ 13,021,458

8. RETIREMENT PLAN:

The Church sponsors a defined contribution retirement plan for employees. All employees over 18 years of age are eligible and enrolled into the plan via a negative enrollment. The Church matches 50% of the employees' deferral up to a maximum of 3%. Employer contributions for the years ended December 31, 2017 and 2016, were $131,286 and $76,799, respectively. Employees are vested per the vesting schedule below:

End of Year 1: 25% vested
End of Year 2: 50% vested
End of Year 3: 100% vested

9. OPERATING LEASE EXPENSE:

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, 2017 and 2016, was $163,796 and $191,641, respectively. Future commitments under non-cancelable lease agreements are:

Year Ending December 31,	
2018	$ 134,828
2019	98,469
2020	79,338
	$ 312,635

The Church is under contract to pay for professional architectural services for the renovation of one of its properties. Approximately $74,000 remains to be paid under this agreement as of December 31, 2017.

10. OPERATING LEASE INCOME:

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 $265,850 and $221,507 for the years ended December 31, 2017 and 2016, respectively. Future minimum lease income, net of expected operating expenses for rental properties, is:

Year Ending December 31,		
2018	$	216,320
2019		100,938
2020		29,870
2021		18,460
2022		2,536
	$	368,124

11. 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 Church paid $100,532 and $90,032 in related party rent expense for the years ended December 31, 2017 and 2016, respectively. This member of the board of directors also is the executive director of a nonprofit organization to which the Church donated $45,990 and $31,665 during the years ended December 31, 2017 and 2016, respectively.

12. SUBSEQUENT EVENTS:

Subsequent events were evaluated through June 19, 2018, which is the date the consolidated financial statements were available to be issued.

In April 2018, property that was originally gifted to the Church, and has been held as an investment property since then, was sold for a gross price of $315,000. It was decided by the Executive Team to sell the property in order to fund other initiatives.