



CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES

Consolidated Financial Statements  
With Independent Auditors Report

December 31, 2018 and 2017

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Table of Contents**

|  | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report   | 1           |
| Consolidated Financial Statements  |             |
| Consolidated Statements of Financial Position                              | 3           |
| Consolidated Statements of Activities                                      | 4           |
| Consolidated Statement of Functional Expenses-Year Ended December 31, 2018 | 5           |
| Consolidated Statement of Functional Expenses-Year Ended December 31, 2017 | 6           |
| Consolidated Statements of Cash Flows                                      | 7           |
| Notes to Consolidated Financial Statements                                 | 8           |

## 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, 2018 and 2017, and the related consolidated statements of activities, functional expenses, 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, 2018 and 2017, 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.

***Emphasis of Matter***

Calvary Albuquerque, Inc. and Affiliates has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in note 2. This has had a material effect on the presentation of the December 31, 2018 and 2017, consolidated financial statements. Our opinion is not modified with respect to this matter.

*Capin Crouse LLP*

Colorado Springs, Colorado  
June 14, 2019

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Consolidated Statements of Financial Position**

|   | December 31,  |               |
|---|---------------|---------------|
|   | 2018          | 2017          |
| <b>ASSETS:</b>                              |               |               |
| Current Assets:                             |               |               |
| Cash and cash equivalents                   | \$ 2,048,668  | \$ 1,689,699  |
| Accounts receivable–net and other assets    | 117,080       | 129,952       |
| Inventory                                   | 374,175       | 300,310       |
| Assets held for deferred compensation       | 156,000       | 94,812        |
|   | 2,695,923     | 2,214,773     |
| Property held for investment–net            | -             | 1,509,523     |
| Radio station FCC licenses                  | 2,661,000     | 2,661,000     |
| Property and equipment–net                  | 19,511,418    | 17,796,751    |
|   | \$ 24,868,341 | \$ 24,182,047 |
| Total Assets                                | \$ 24,868,341 | \$ 24,182,047 |
| <b>LIABILITIES AND NET ASSETS:</b>          |               |               |
| Liabilities:                                |               |               |
| Current Liabilities:                        |               |               |
| Accounts payable                            | \$ 431,530    | \$ 309,104    |
| Deferred compensation liability             | 156,000       | 94,812        |
| Accrued expenses and other liabilities      | 391,017       | 452,720       |
| Notes payable, current portion              | 341,230       | 378,998       |
|   | 1,319,777     | 1,235,634     |
| Notes payable, net of current portion       | 4,594,161     | 3,832,993     |
|   | 5,913,938     | 5,068,627     |
| Net assets:                                 |               |               |
| Without donor restrictions:                 |               |               |
| Operating                                   | 1,454,031     | 1,227,100     |
| Equity in property held for investment      | -             | 1,509,523     |
| Equity in property, equipment, and licenses | 17,237,027    | 16,245,760    |
|   | 18,691,058    | 18,982,383    |
| With donor restrictions                     | 263,345       | 131,037       |
|   | 18,954,403    | 19,113,420    |
| Total Liabilities and Net Assets            | \$ 24,868,341 | \$ 24,182,047 |

See notes to consolidated financial statements

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Consolidated Statements of Activities**

|                                  | Year Ended December 31,       |                            |                      |                               |                            |                      |
|----------------------------------|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
|                                  | 2018                          |                            |                      | 2017                          |                            |                      |
|                                  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
| <b>SUPPORT AND REVENUE:</b>      |                               |                            |                      |                               |                            |                      |
| Contributions                    | \$ 11,855,442                 | \$ 199,646                 | \$ 12,055,088        | \$ 10,919,797                 | \$ 89,629                  | \$ 11,009,426        |
| Sales and advertising income     | 1,429,162                     | -                          | 1,429,162            | 1,458,501                     | -                          | 1,458,501            |
| Ministry income                  | 446,126                       | -                          | 446,126              | 414,936                       | -                          | 414,936              |
| Rental and other income          | 412,087                       | -                          | 412,087              | 314,736                       | -                          | 314,736              |
| <b>Total Support and Revenue</b> | <b>14,142,817</b>             | <b>199,646</b>             | <b>14,342,463</b>    | <b>13,107,970</b>             | <b>89,629</b>              | <b>13,197,599</b>    |
| <b>NET ASSETS RELEASED:</b>      |                               |                            |                      |                               |                            |                      |
| Purpose restrictions             | 67,338                        | (67,338)                   | -                    | 41,042                        | (41,042)                   | -                    |
| <b>EXPENSES:</b>                 |                               |                            |                      |                               |                            |                      |
| Program services                 | 11,827,525                    | -                          | 11,827,525           | 11,707,429                    | -                          | 11,707,429           |
| Supporting activities:           |                               |                            |                      |                               |                            |                      |
| General and administrative       | 2,673,955                     | -                          | 2,673,955            | 2,318,002                     | -                          | 2,318,002            |
| Fundraising                      | -                             | -                          | -                    | -                             | -                          | -                    |
| <b>Total Expenses</b>            | <b>14,501,480</b>             | <b>-</b>                   | <b>14,501,480</b>    | <b>14,025,431</b>             | <b>-</b>                   | <b>14,025,431</b>    |
| Change in Net Assets             | (291,325)                     | 132,308                    | (159,017)            | (876,419)                     | 48,587                     | (827,832)            |
| Net Assets, Beginning of Year    | 18,982,383                    | 131,037                    | 19,113,420           | 19,858,802                    | 82,450                     | 19,941,252           |
| Net Assets, End of Year          | <u>\$ 18,691,058</u>          | <u>\$ 263,345</u>          | <u>\$ 18,954,403</u> | <u>\$ 18,982,383</u>          | <u>\$ 131,037</u>          | <u>\$ 19,113,420</u> |

See notes to consolidated financial statements

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Consolidated Statement of Functional Expenses**

Year Ended December 31, 2018

|                     | Program Services    |                     |                     |                       |                   | Supporting Activities     |                               |             |                      |
|---------------------|---------------------|---------------------|---------------------|-----------------------|-------------------|---------------------------|-------------------------------|-------------|----------------------|
|                     | Church              | Radio               | Missions            | Bookstore<br>and Café | Preschool         | Total Program<br>Services | General and<br>Administrative | Fundraising | Total                |
| Salaries            | \$ 4,102,804        | \$ 614,910          | \$ 297,594          | \$ 598,406            | \$ 407,741        | \$ 6,021,455              | \$ 1,177,707                  | \$ -        | \$ 7,199,162         |
| Office and supplies | 984,690             | 147,581             | 71,424              | 143,620               | 97,859            | 1,445,174                 | 1,405,128                     | -           | 2,850,302            |
| Depreciation        | 829,091             | 124,260             | 60,137              | 120,925               | 82,396            | 1,216,809                 | 64,043                        | -           | 1,280,852            |
| Benevolence         | 29,441              | -                   | 1,002,877           | -                     | -                 | 1,032,318                 | -                             | -           | 1,032,318            |
| Airtime             | 455,721             | 68,301              | 33,055              | 66,468                | 45,290            | 668,835                   | 2,800                         | -           | 671,635              |
| Events and travel   | 331,196             | 49,638              | 81,669              | 48,306                | 32,915            | 543,724                   | 14,099                        | -           | 557,823              |
| Cost of goods sold  | -                   | 18,395              | -                   | 516,560               | -                 | 534,955                   | -                             | -           | 534,955              |
| Interest            | 131,761             | 19,748              | 9,557               | 19,218                | 13,095            | 193,379                   | 10,178                        | -           | 203,557              |
| Meals               | 81,780              | 12,257              | 5,932               | 11,928                | 8,127             | 120,024                   | -                             | -           | 120,024              |
| Training and other  | 34,593              | 5,261               | 2,220               | 5,250                 | 3,528             | 50,852                    | -                             | -           | 50,852               |
|                     | <u>\$ 6,981,077</u> | <u>\$ 1,060,351</u> | <u>\$ 1,564,465</u> | <u>\$ 1,530,681</u>   | <u>\$ 690,951</u> | <u>\$ 11,827,525</u>      | <u>\$ 2,673,955</u>           | <u>\$ -</u> | <u>\$ 14,501,480</u> |

See notes to consolidated financial statements

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Consolidated Statement of Functional Expenses**

Year Ended December 31, 2017

|                     | Program Services    |                     |                     |                       |                   | Supporting Activities     |                               |             |                      |
|---------------------|---------------------|---------------------|---------------------|-----------------------|-------------------|---------------------------|-------------------------------|-------------|----------------------|
|                     | Church              | Radio               | Missions            | Bookstore<br>and Café | Preschool         | Total Program<br>Services | General and<br>Administrative | Fundraising | Total                |
| Salaries            | \$ 3,997,633        | \$ 604,924          | \$ 291,893          | \$ 558,498            | \$ 422,680        | \$ 5,875,628              | \$ 1,121,176                  | \$ -        | \$ 6,996,804         |
| Office and supplies | 1,227,504           | 185,747             | 89,628              | 171,491               | 129,787           | 1,804,157                 | 1,116,097                     | -           | 2,920,254            |
| Depreciation        | 761,770             | 115,272             | 55,622              | 106,425               | 80,544            | 1,119,633                 | 58,928                        | -           | 1,178,561            |
| Benevolence         | 31,358              | -                   | 845,475             | -                     | -                 | 876,833                   | -                             | -           | 876,833              |
| Airtime             | 461,334             | 69,809              | 33,685              | 64,452                | 48,778            | 678,058                   | 3,850                         | -           | 681,908              |
| Events and travel   | 311,636             | 47,157              | 60,644              | 43,538                | 32,950            | 495,925                   | 5,474                         | -           | 501,399              |
| Cost of goods sold  | -                   | -                   | -                   | 644,462               | -                 | 644,462                   | 8,988                         | -           | 653,450              |
| Interest            | 45,102              | 6,825               | 3,293               | 6,301                 | 4,769             | 66,290                    | 3,489                         | -           | 69,779               |
| Meals               | 68,838              | 10,417              | 5,026               | 9,617                 | 7,278             | 101,176                   | -                             | -           | 101,176              |
| Training and other  | 30,799              | 4,660               | 2,249               | 4,303                 | 3,256             | 45,267                    | -                             | -           | 45,267               |
|                     | <u>\$ 6,935,974</u> | <u>\$ 1,044,811</u> | <u>\$ 1,387,515</u> | <u>\$ 1,609,087</u>   | <u>\$ 730,042</u> | <u>\$ 11,707,429</u>      | <u>\$ 2,318,002</u>           | <u>\$ -</u> | <u>\$ 14,025,431</u> |

See notes to consolidated financial statements



**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Consolidated Statements of Cash Flows**

|  | Year Ended December 31, |              |
|--|-------------------------|--------------|
|  | 2018                    | 2017         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                         |              |
| Change in net assets   | \$ (159,017)            | \$ (827,832) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: |                         |              |
| Depreciation   | 1,280,852               | 1,178,561    |
| Gift-in-kind addition to property and equipment  | (6,250)                 | (129,500)    |
| Loss (gain) on sale of asset   | (45,819)                | 25,448       |
| Changes in operating assets and liabilities:   |                         |              |
| Accounts receivable–net and other assets   | 12,872                  | (13,555)     |
| Inventory  | (73,865)                | (16,657)     |
| Assets held for deferred compensation  | (61,188)                | (42,812)     |
| Accounts payable   | 122,426                 | 134,377      |
| Deferred compensation liability  | 61,188                  | 42,812       |
| Accrued expenses and other liabilities   | (61,703)                | 93,340       |
| Net Cash Provided by Operating Activities  | 1,069,496               | 444,182      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                         |              |
| Proceeds on sale of asset  | 1,530,410               | -            |
| Purchases of property and equipment  | (2,964,337)             | (1,523,284)  |
| Net Cash Used by Investing Activities  | (1,433,927)             | (1,523,284)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                         |              |
| Proceeds from notes payable  | 1,000,000               | 1,100,000    |
| Principal payments on notes payable  | (276,600)               | (274,244)    |
| Net Cash Provided by Financing Activities  | 723,400                 | 825,756      |
| Net Change in Cash and Cash Equivalents  | 358,969                 | (253,346)    |
| Cash and Cash Equivalents, Beginning of Year   | 1,689,699               | 1,943,045    |
| Cash and Cash Equivalents, End of Year   | \$ 2,048,668            | \$ 1,689,699 |
| <b>NON-CASH ITEM:</b>  |                         |              |
| Property and equipment obtained through accounts payable   | \$ 295,116              | \$ -         |
| Interest paid  | \$ 203,556              | \$ 69,779    |
| Property and equipment obtained through notes payable  | \$ -                    | \$ 3,225,000 |

See notes to consolidated financial statements

# CALVARY ALBUQUERQUE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### 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, 2018 and 2017, 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 properties held within these LLCs were sold during the year ended December 31, 2018.

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 checking and savings accounts. The Church has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents..

# CALVARY ALBUQUERQUE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### 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, 2018 and 2017.

#### 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, 2018 and 2017.

#### 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. These properties were sold during the year ended December 31, 2018. Depreciation expense, related to properties held for investment, was \$30,353 and \$54,435, for the years ended December 31, 2018 and 2017, respectively. During the year ended December 31, 2017, property held for investment purposes consisted of building space the Church rented 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, 2018 or 2017.

# CALVARY ALBUQUERQUE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

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

#### CLASSES OF NET ASSETS

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

*Net assets without donor restrictions* 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.

*Net assets with donor restrictions* are those resources stipulated by donors for specific purposes.

#### SUPPORT AND REVENUE

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 net assets with donor restrictions until funds have been expended by the Church for the purposes specified. Upon satisfaction of the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions 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

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

The costs of providing program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, have been allocated among the program services and supporting activities benefited. Salaries are allocated based off of the time and effort spent by each employee, depreciation and interest expense were allocated based upon square footage, and all other expenses are allocated based on the purpose of the expense.

#### ADVERTISING

The Church uses advertising to promote its programs. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2018 and 2017, was \$124,130 and \$86,561, respectively.

# CALVARY ALBUQUERQUE, INC. AND AFFILIATES

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

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

#### CHANGE IN ACCOUNTING POLICY

During the year ended December 31, 2018, the Church began classifying contributions with donor restrictions whose restrictions are met in the same reporting period as contributions without donor restrictions. For the year ended December 31, 2017, the amount presented for contributions with donor restrictions decreased by \$1,341,764, with an increase of contributions without donor restrictions for the same amount. For the same reporting period, the amount presented for net assets released from restrictions decreased by the same amount.

#### ADOPTION OF RECENTLY ISSUED PRONOUNCEMENTS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Church adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added including liquidity and funds available (note 3), and new reporting and disclosures were added related to the functional allocation and natural classification of expenses (Statement of Functional Expenses and note 2).

### 3. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Church's financial assets reduced by amounts not available for general use within one year, as of December 31, 2018. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

#### Financial assets:

|                                       |                     |
|---------------------------------------|---------------------|
| Cash and cash equivalents             | \$ 2,048,668        |
| Accounts receivable—net               | 103,502             |
| Assets held for deferred compensation | 156,000             |
|                                       | <u>\$ 2,308,170</u> |

#### Less those unavailable for general expenditure within one year, due to:

|   |                 |
|---|-----------------|
| Deferred compensation liability                   | (156,000)       |
| Donor imposed restrictions as to purpose and time | <u>(64,337)</u> |

Financial assets available within one year to meet cash needs  
for general expenditures

\$ 2,087,833

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Notes to Consolidated Financial Statements**

December 31, 2018 and 2017

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

|                                      | December 31,  |               |
|--------------------------------------|---------------|---------------|
|                                      | 2018          | 2017          |
| Land and improvements                | \$ 4,014,937  | \$ 4,015,975  |
| Buildings and improvements           | 21,866,195    | 21,744,025    |
| Vehicles, equipment, and furnishings | 3,350,662     | 3,708,764     |
|                                      | 29,231,794    | 29,468,764    |
| Less accumulated depreciation        | (15,333,351)  | (15,376,959)  |
|                                      | 13,898,443    | 14,091,805    |
| Projects in process                  | 5,612,975     | 3,704,946     |
|                                      | \$ 19,511,418 | \$ 17,796,751 |

Equity in property, equipment, and licenses consists of:

|                            | December 31,  |               |
|----------------------------|---------------|---------------|
|                            | 2018          | 2017          |
| Property and equipment–net | \$ 19,511,418 | \$ 17,796,751 |
| Radio station FCC licenses | 2,661,000     | 2,661,000     |
| Less notes payable         | (4,935,391)   | (4,211,991)   |
|                            | \$ 17,237,027 | \$ 16,245,760 |

Depreciation expense for property and equipment was \$1,250,499 and \$1,124,126, for the years ended December 31, 2018 and 2017, respectively.

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Notes to Consolidated Financial Statements**

December 31, 2018 and 2017

5. NOTES PAYABLE:

Notes payable consist of:

|   | December 31, |              |
|---|--------------|--------------|
|   | 2018         | 2017         |
| 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. | \$ 3,078,694 | \$ 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.  | 1,856,697    | 1,028,816    |
|   | 4,935,391    | 4,211,991    |
| Less current portion of notes payable   | (341,230)    | (378,998)    |
|   | \$ 4,594,161 | \$ 3,832,993 |

Future minimum payments on the notes payable are:

| Year Ending December 31, |              |
|--------------------------|--------------|
| 2019                     | \$ 341,230   |
| 2020                     | 357,674      |
| 2021                     | 374,913      |
| 2022                     | 392,464      |
| 2023                     | 410,374      |
| Thereafter               | 3,058,736    |
|                          | \$ 4,935,391 |

The Church was in compliance with, or received waivers for, all financial and reporting covenants as of December 31, 2018. Subsequent to the year ended December 31, 2018, the Church borrowed \$1,300,000, from a new note payable with the same financial institution.

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Notes to Consolidated Financial Statements**

December 31, 2018 and 2017

6. 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, 2018, and 2017, was 5.5% and 4.25%, respectively. During the year ended, December 31, 2018, and 2017, no draws had been made on the line of credit. This line of credit expired in March 2019. Subsequent to the year ended December 31, 2018, the Church renewed the \$1,000,000 line of credit, extending the maturity date until August of 2020. Subsequent to the year ended December 31, 2018, \$500,000 was drawn down from the line of credit.

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

|                             | December 31, |            |
|-----------------------------|--------------|------------|
|                             | 2018         | 2017       |
| Westside campus             | \$ 160,254   | \$ -       |
| Benevolence                 | 53,784       | 53,784     |
| Outreach and other projects | 41,975       | 69,921     |
| Other                       | 8,388        | 7,332      |
|                             | \$ 264,401   | \$ 131,037 |

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, 2018 and 2017, were \$129,504 and \$131,286, 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



**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Notes to Consolidated Financial Statements**

December 31, 2018 and 2017

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, 2018 and 2017, was \$210,227 and \$163,796, respectively. Future commitments under non-cancelable lease agreements are:

| <u>Year Ending December 31,</u> |    |         |
|---------------------------------|----|---------|
| 2019                            | \$ | 229,577 |
| 2020                            |    | 144,268 |
| 2021                            |    | 39,797  |
| 2022                            |    | 39,797  |
| 2023                            |    | 9,949   |
|                                 |    | 9,949   |
|                                 | \$ | 463,388 |

10. OPERATING LEASE INCOME:

The Church leases a portion of its property and has several cell tower leases. The rental properties were sold during the year ended December 31, 2018. Lease income earned from property held for investment and cell tower leases under these leases is reported net of operating expenses and was \$193,319 and \$265,850 for the years ended December 31, 2018 and 2017, respectively. Future minimum lease income of the cell tower leases is:

| <u>Year Ending December 31,</u> |    |         |
|---------------------------------|----|---------|
| 2018                            | \$ | 72,841  |
| 2019                            |    | 49,522  |
|                                 |    | 49,522  |
|                                 | \$ | 122,363 |

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, in related party rent expense for both of the years ended December 31, 2018 and 2017. This member of the board of directors also is the executive director of a nonprofit organization to which the Church donated \$42,399 and \$45,990, during the years ended December 31, 2018 and 2017, respectively.

Approximately \$193,000 (1.6%) and \$284,000 (2.6%) of contribution revenue was received from related parties, including certain board members of the board of directors and management, in 2018 and 2017, respectively.

**CALVARY ALBUQUERQUE, INC.  
AND AFFILIATES**

**Notes to Consolidated Financial Statements**

December 31, 2018 and 2017

12. SUBSEQUENT EVENTS:

Subsequent events were evaluated through June 14, 2019, which is the date the consolidated financial statements were available to be issued.

As disclosed in note 5, subsequent to the year ended December 31, 2018, the Church borrowed \$1,300,000 from a new note payable with the same financial institution. Additionally, as disclosed in note 6, subsequent to the year ended December 31, 2018, \$500,000, was drawn down from the Church's available line of credit.