

CRYSTAL CATHEDRAL MINISTRIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

With Comparative Information for 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Crystal Cathedral Ministries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Crystal Cathedral Ministries and The Crystal Cathedral (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditors' 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 auditors consider internal control relevant to the Organization'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 Organization'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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, during the year ended December 31, 2018, the Organization adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on the Summarized Comparative Information

We have previously audited the Organization's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Winder, Inc.

Long Beach, California
September 10, 2019

CRYSTAL CATHEDRAL MINISTRIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

	December 31,	
	2018	2017
ASSETS		
Cash and equivalents	\$ 1,487,110	\$ 1,837,771
Investments	1,871,497	2,056,042
Pledges receivable	339,910	948,594
Accounts receivable	145,069	143,694
Inventory	167,718	211,021
Prepaid expenses and other assets	390,965	189,623
Property and equipment, net	<u>1,082,029</u>	<u>1,035,826</u>
TOTAL ASSETS	<u><u>\$ 5,484,298</u></u>	<u><u>\$ 6,422,571</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 312,420	\$ 115,110
Accrued expenses	442,693	293,893
Notes payable	<u>-</u>	<u>300,774</u>
	<u>755,113</u>	<u>709,777</u>
COMMITMENTS (Note 9)		
NET ASSETS		
Without donor restrictions	2,158,590	2,911,586
With donor restrictions	<u>2,570,595</u>	<u>2,801,208</u>
Total net assets	<u>4,729,185</u>	<u>5,712,794</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,484,298</u></u>	<u><u>\$ 6,422,571</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

CRYSTAL CATHEDRAL MINISTRIES

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017**

	Without Donor Resctrictions	With Donor Restrictions	Total	
			2018	2017
SUPPORT AND REVENUE				
Donations and collections				
Ministry and media activities	\$ 7,657,825	\$ -	\$ 7,657,825	\$ 7,484,068
Church activities	1,330,377	148,015	1,478,392	1,903,217
Other income	436,697	-	436,697	179,696
Interest and dividends	341	9,335	9,676	8,909
Realized and unrealized gain (loss) on investments	(69,954)	-	(69,954)	197,850
Net assets released from restrictions	387,963	(387,963)	-	-
Total Support and Revenue	9,743,249	(230,613)	9,512,636	9,773,740
EXPENDITURES				
Program Services				
Ministry and media activities	6,398,440	-	6,398,440	6,893,916
Church activities	2,865,143	-	2,865,143	2,427,579
Total Program Services	9,263,584	-	9,263,584	9,321,495
Supporting Services				
General and administrative	971,434	-	971,434	519,216
Fundraising	261,228	-	261,228	284,132
Total Supporting Services	1,232,662	-	1,232,662	803,348
TOTAL EXPENDITURES	10,496,245	-	10,496,245	10,124,843
CHANGE IN NET ASSETS	(752,996)	(230,613)	(983,609)	(351,103)
NET ASSETS AT BEGINNING OF YEAR	2,911,586	2,801,208	5,712,794	6,063,897
NET ASSETS AT END OF YEAR	\$ 2,158,590	\$ 2,570,595	\$ 4,729,185	\$ 5,712,794

The accompanying notes are an integral part of these consolidated financial statements.

CRYSTAL CATHEDRAL MINISTRIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Program Services			General and Administrative	Fundraising	Totals	Totals
	Ministry and Media Outreach	Church Activities	Total Program			2018	2017
PERSONNEL EXPENSES							
Salaries and wages	\$ 1,304,599	\$ 960,857	\$ 2,265,456	\$ 106,627	\$ 56,086	\$ 2,428,169	\$ 2,600,265
Payroll taxes	86,294	53,311	139,605	15,840	4,125	159,570	151,715
Health insurance	86,603	42,764	129,367	14,779	8,981	153,128	136,709
Benefits	43,472	14,815	58,287	296	-	58,583	69,715
Total personnel expenses	<u>1,520,968</u>	<u>1,071,747</u>	<u>2,592,715</u>	<u>137,543</u>	<u>69,192</u>	<u>2,799,450</u>	<u>2,958,404</u>
OPERATIONAL EXPENSES							
Advertising	25,326	200	25,526	-	-	25,526	20,144
Airtime	1,608,927	-	1,608,927	-	100,187	1,709,114	1,814,364
Contractors	124,416	17,978	142,394	-	-	142,394	169,708
Depreciation	-	81,570	81,570	81,634	-	163,204	160,114
Equipment	60,402	17,269	77,671	20,611	-	98,282	106,276
Events	14,368	68,787	83,155	3,601	10,757	97,513	213,975
Fees and dues	31,007	83,132	114,139	71,998	-	186,137	166,184
Honorariums	313,585	343,607	657,192	-	-	657,192	647,530
Insurance	17,344	64,902	82,245	-	-	82,245	66,256
Interest	-	-	-	15,660	-	15,660	16,834
Move \ Relocation	-	-	-	105,562	-	105,562	308
Offers	308,834	-	308,834	-	-	308,834	283,342
Postage	259,951	2,020	261,971	-	4,618	266,589	121,379
Printing	426,305	2,340	428,646	-	1,113	429,759	321,794
Professional services	1,575,035	50,741	1,625,776	405,943	74,677	2,106,396	1,684,425
Repairs and maintenance	7,001	186,106	193,107	6,243	-	199,350	370,958
Rent	-	738,096	738,096	-	-	738,096	691,392
Storage	-	12,175	12,175	48,064	-	60,239	14,205
Supplies	60,936	54,041	114,977	3,191	271	118,439	61,524
Telephone	89	5,742	5,831	71,385	-	77,216	86,469
Travel	43,213	26,815	70,028	-	413	70,440	34,009
Utilities	733	37,878	38,611	-	-	38,611	115,249
Total operational expenses	<u>4,877,472</u>	<u>1,793,396</u>	<u>6,670,868</u>	<u>833,891</u>	<u>192,036</u>	<u>7,696,795</u>	<u>7,166,439</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 6,398,440</u>	<u>\$ 2,865,143</u>	<u>\$ 9,263,584</u>	<u>\$ 971,434</u>	<u>\$ 261,228</u>	<u>\$ 10,496,245</u>	<u>\$ 10,124,843</u>

The accompanying notes are an integral part of these consolidated financial statements.

CRYSTAL CATHEDRAL MINISTRIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (983,609)	\$ (351,103)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized gain (loss) on investments	69,954	(197,850)
Loss on disposal of property and equipment	233,796	7,017
Depreciation	163,204	160,114
Noncash reduction to notes payable	(300,774)	(29,917)
Changes in operating assets and liabilities:		
Pledges receivable	608,684	(98,667)
Accounts receivable	(1,375)	(31,645)
Inventory	43,303	47,860
Prepaid expenses and other assets	(201,342)	69,646
Accounts payable	197,310	33,338
Accrued expenses	148,800	(87,553)
Net Cash Used In Operating Activities	(22,049)	(478,760)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(501,014)	(156,829)
Proceeds from disposal of equipment	57,811	15,165
Proceeds from investments, net	114,591	858,913
Net Cash Provided By (Used In) Investing Activities	(328,612)	717,249
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation	-	(19,060)
Proceeds from notes payable	-	330,691
Net Cash Provided By Financing Activities	-	311,631
NET CHANGE IN CASH AND EQUIVALENTS	(350,661)	550,120
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	1,837,771	1,287,651
CASH AND EQUIVALENTS AT END OF YEAR	\$ 1,487,110	\$ 1,837,771
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 9,676	\$ 16,834
Schedule of noncash financing activity:		
Services rendered that reduced notes payable	\$ 300,774	\$ 29,917

The accompanying notes are an integral part of these consolidated financial statements.

CRYSTAL CATHEDRAL MINISTRIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 1 – Nature of Organization

Operations

The accompanying consolidated financial statements include the accounts of Crystal Cathedral Ministries and The Crystal Cathedral (collectively, the Organization), entities under common operational control. All significant transactions between the entities are eliminated in the consolidated financial statements.

The Organization's primary activities relate to the Shepherd's Grove church located in Irvine, California. Along with activities of the church, the weekly church service is broadcast worldwide as the "*Hour of Power with Bobby Schuller*."

The primary sources of revenue for the Organization are donations received by the Shepherd's Grove Church and donations received from viewers of the *Hour of Power*.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The following significant accounting policies are described below to enhance the usefulness of the consolidated financial statements to the reader.

Recently Adopted Accounting Standards

In 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The main provisions include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction to net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, components of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. With the adoption of the standard, the Organization updated net asset presentation in the consolidated financial statements and included additional disclosures as required. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standard.

CRYSTAL CATHEDRAL MINISTRIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Consolidated Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that may be temporary in nature that may be or will be met by actions of the Organization or the passage of time. Other donor stipulations may be perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the consolidated financial statements.

Prior-Period Information

The consolidated financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

CRYSTAL CATHEDRAL MINISTRIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributions

All contributions are considered to be without donor restriction, unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as donor-restricted support that increases net assets with donor restrictions. When a donor's stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions, including endowment gifts and pledges, are recognized as support in the period received or pledged. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Contributions are included in donations and collections in the accompanying consolidated statement of activities.

Legacies and Bequests

The Organization has been named a beneficiary in a number of bequests. Bequests are not recognized as support until all of the following conditions are met: the demise of the testator; the amount of the bequest is known; and the Organization is certain that, based on the estate's net assets, the amount bequeathed is realizable and the will is valid, irrevocable and not contested. Legacies and bequests are included in donations and collections in the accompanying consolidated statement of activities.

Contributed Services

A substantial number of volunteers make significant contributions of their time in the furtherance of the Organization's purpose. The value of this contributed time is not reflected in the accompanying consolidated financial statements, as it does not meet the recognition criteria under generally accepted accounting principles for contributed services.

CRYSTAL CATHEDRAL MINISTRIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Cash and Equivalents

The Organization considers cash equivalents to be all highly liquid debt instruments purchased with an initial maturity of three months or less. Cash and equivalents includes cash deposits with a bank and treasury notes.

The Organization maintains its cash in financial institutions which, at times, may exceed federally insured limits. Historically, the Organization has not experienced any losses in such accounts.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Realized gains and losses are computed as the difference between historical cost and sales proceeds. Unrealized gains and losses are the change in the spread between historical cost and fair value during the year. Unrealized gains and losses are included in the change in net assets.

Accounts Receivable

Accounts receivable primarily represent billings for production costs of licensed content that the Organization permits certain international organizations the rights to air in their respective countries. The costs associated with any direct mailing services that the Organization provides on behalf of the international organizations are also billed by the Organization and included in other receivables. Management has concluded that anticipated losses on balances outstanding at December 31, 2018 are not significant.

Inventory

Inventory, consisting primarily of books and gifts offered as premiums to donors, is stated at the lower of cost or market. Cost is determined on the first-in, first-out method.

CRYSTAL CATHEDRAL MINISTRIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost, with the exception of donated equipment, which is recorded at fair market value on the date received. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Building improvements are amortized over the remaining term of the building lease where the improvements are made. Expenditures for repairs and maintenance are expensed as incurred. Amortization of equipment under capital lease is computed based on the shorter of the lease terms or the life of the asset and is included in depreciation expense.

Works of art that have been donated to the Organization, qualifying as part of a collection, are not capitalized or recognized as contributions at the time of the donation and are carried on the books at zero value.

Allocation of Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates of time and effort made by management.

Advertising

All costs associated with advertising and promoting the Organization's activities are expensed in the year incurred. Advertising expense totaled approximately \$26,000 and \$20,000 for the years ended December 31, 2018 and 2017, respectively.

Income Tax Status

The Organization has received tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

The Organization recognizes the financial statement benefit of tax positions, such as its position of being tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and state purposes is generally three and four years, respectively.

CRYSTAL CATHEDRAL MINISTRIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 1,487,110
Investments	1,871,497
Pledges receivable	339,910
Accounts receivable	<u>145,069</u>
	<u>3,843,586</u>
Less amounts unavailable for general expenditure within one year due to:	
Long-term in nature	(117,708)
Restricted by donor for purpose	<u>(2,570,595)</u>
	<u>\$ 1,155,268</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4 – Pledges Receivable

The following is a summary of the Organization's pledges receivable classified by the expected period of collection:

Receivable in less than one year	\$ 222,202
Receivable in one to five years	16,000
Receivable in more than five years	<u>101,708</u>
	<u>\$ 339,910</u>

CRYSTAL CATHEDRAL MINISTRIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 – Property and Equipment

Property and equipment consists of the following at December 31, 2018:

Furniture and equipment	\$ 6,639,506
Buildings and improvements	<u>63,852</u>
	6,703,358
Accumulated depreciation	<u>(5,621,329)</u>
	<u>\$ 1,082,029</u>

Depreciation expense was \$163,204 for the year ended December 31, 2018.

NOTE 6 – Fair Value Measurements

The Financial Accounting Standards Board (FASB) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB also establishes a fair value hierarchy for the classification of instruments recorded at fair value.

The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are other observable inputs, such as quoted prices for similar instruments or quoted prices in markets that are not active.
- Level 3 inputs are unobservable inputs for the asset or liability.

Where quoted prices are available in active markets, securities are classified within level 1 of the valuation hierarchy. At December 31, 2018, investments were composed of exchange-traded fixed income and equity funds and reported at level 1 in the valuation hierarchy.

CRYSTAL CATHEDRAL MINISTRIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 – Net Assets with Donor Restrictions

Activity for net assets with donor restrictions designated for a specific program or restricted by time for the year ended December 31, 2018 are as follows:

	<u>Beginning of Year</u>	<u>Support and Revenue</u>	<u>Release from Restriction</u>	<u>End of Year</u>
Airtime and media	\$ 2,672,254	\$ 13,670	\$ (278,250)	\$ 2,407,674
Children’s Choir and Music Program	47,357	50,000	(68,420)	28,937
Family ministry development	-	80,000	(20,770)	59,230
Congregation	59,665	(2,965)	-	56,700
Other program and time restrictions	<u>21,932</u>	<u>16,645</u>	<u>(20,523)</u>	<u>18,054</u>
	<u>\$ 2,801,208</u>	<u>\$ 157,350</u>	<u>\$ (387,963)</u>	<u>\$ 2,570,595</u>

NOTE 8 – Endowment

The Organization’s endowment consists of individual donor-designated funds to support the activities of the Organization. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The majority of the restricted endowment is restricted for support of the television program *Hour of Power*, and annual spending appropriations are restricted to 10% of the fund balance.

The Organization’s endowment funds as of December 31, 2018 by net asset class are as follows:

	<u>Airtime and Media</u>	<u>Congregation</u>	<u>Total</u>
Original donor-restricted amount maintained in perpetuity	\$ 32,050	\$ 29,652	\$ 61,702
Donor-restricted amount maintained with limited release and accumulated investment gains	<u>2,375,624</u>	<u>27,048</u>	<u>2,402,672</u>
	<u>\$ 2,407,674</u>	<u>\$ 56,700</u>	<u>\$ 2,464,374</u>

CRYSTAL CATHEDRAL MINISTRIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 – Endowment (Continued)

Changes in endowment net assets for the year ended December 31, 2018 were as follows:

	<u>Airtime and Media</u>	<u>Congregation</u>	<u>Total</u>
January 1, 2018	\$ 2,672,254	\$ 59,665	\$ 2,731,919
Contributions	1,370	-	1,370
Investment income (loss)	12,300	(2,965)	9,335
Expenditures	<u>(278,250)</u>	<u>-</u>	<u>(278,250)</u>
December 31, 2018	<u>\$ 2,407,674</u>	<u>\$ 56,700</u>	<u>\$ 2,464,374</u>

The Organization’s management and Board of Directors understand California State law as (1) requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

The primary long-term financial objective for the Organization’s endowment funds is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation, and costs of portfolio management. The endowment funds are also managed to optimize the long-term total rate of return on invested assets, assuming a prudent level of risk.

The Organization’s Board approves the yearly spending amount annually, in line with any donor-imposed restrictions.

The Organization’s Investment Committee is responsible for making decisions on the placement of investment assets for endowment funds. The Investment Committee employs an investment management strategy which considers both financial return and social good (“socially responsible investing”). Additionally, the committee also seeks to broadly diversify the Organization’s investment portfolio in order to mitigate the risk of a large loss due to concentrations.

CRYSTAL CATHEDRAL MINISTRIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 – Commitments

Operating Leases

The Organization maintains an operating lease agreement for the church facility and administrative and production for a term of five years expiring April 2023 with monthly rental payments of approximately \$50,000 that escalate over the term. The Organization also maintains an equipment lease with monthly installments due through April 2022. Future minimum lease payments required under the noncancelable equipment lease are as follows:

<u>Year Ending December 31,</u>	
2019	\$ 648,624
2020	667,021
2021	685,969
2022	681,886
2023	<u>225,552</u>
	<u>\$ 2,909,052</u>

NOTE 10 – Subsequent Events

Management has evaluated subsequent events through September 10, 2019, the date the financial statements were available to be issued.

In February 2019, The Crystal Cathedral entered into a merger agreement with Irvine Presbyterian Church Incorporated (IPC). Under the terms of the merger, the assets of The Crystal Cathedral were combined with those of IPC, The Crystal Cathedral would cease as a corporate entity, and IPC would be the surviving entity. The assets transferred in the merger included cash and equipment of approximately \$800,000.

The assets of Crystal Cathedral Ministries were not included in the merger. Crystal Cathedral Ministries was affiliated with TCC through control by a common board of directors until the merger with IPC became effective. Subsequent to the merger, Crystal Cathedral Ministries entered into an agreement with Irvine Presbyterian Church Incorporated to provide for reimbursement of certain shared services, rent and to license certain intellectual property.