

# CRYSTAL CATHEDRAL MINISTRIES

## CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

With Comparative Information for 2018

## CONTENTS

Independent Auditors' Report.....	1-2
Consolidated Statement of Financial Position .....	3
Consolidated Statement of Activities .....	4
Consolidated Statement of Functional Expenses.....	5
Consolidated Statement of Cash Flows.....	6
Notes to the Consolidated Financial Statements .....	7-18

## **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, 2019, 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, 2019 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 of the notes to the financial statements, during the year ended December 31, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*.

## **Report on the Summarized Comparative Information**

We have previously audited the Organization's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Long Beach, California  
September 2, 2020

**CRYSTAL CATHEDRAL MINISTRIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**ASSETS**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and equivalents	\$ 394,632	\$ 1,487,110
Investments	2,429,488	1,871,497
Pledges receivable	1,528,202	339,910
Accounts receivable	211,977	145,069
Inventory	255,012	167,718
Prepaid expenses and other assets	150,051	390,965
Property and equipment, net	<u>526,880</u>	<u>1,082,029</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,496,242</u></u>	<u><u>\$ 5,484,298</u></u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 121,727	\$ 312,420
Accrued expenses	402,659	442,693
Notes payable	<u>976,577</u>	<u>-</u>
	<u>1,500,963</u>	<u>755,113</u>
<b>COMMITMENTS (Note 9)</b>		
<b>NET ASSETS</b>		
Without donor restrictions	1,805,246	2,158,590
With donor restrictions	<u>2,190,033</u>	<u>2,570,595</u>
Total net assets	<u>3,995,279</u>	<u>4,729,185</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 5,496,242</u></u>	<u><u>\$ 5,484,298</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, 2019  
WITH COMPARATIVE TOTALS FOR 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
			<b>2019</b>	<b>2018</b>
<b>SUPPORT AND REVENUE</b>				
Donations and collections				
Ministry and media activities	\$ 6,996,440	\$ 51,000	\$ 7,047,440	\$ 7,657,825
Church activities	185,482	8,423	193,905	1,478,392
Other income	136,372	-	136,372	436,697
Interest and dividends	90	-	90	9,676
Gain (loss) on investments	209,020	-	209,020	(69,954)
Net assets released from restrictions	318,414	(318,414)	-	-
<b>Total Support and Revenue</b>	<b>7,845,818</b>	<b>(258,991)</b>	<b>7,586,827</b>	<b>9,512,636</b>
<b>EXPENDITURES</b>				
Program Services				
Ministry and media activities	5,252,321	-	5,252,321	6,398,440
Church activities	249,369	-	249,369	2,865,143
<b>Total Program Services</b>	<b>5,501,690</b>	<b>-</b>	<b>5,501,690</b>	<b>9,263,583</b>
Supporting Services				
General and administrative	1,102,778	-	1,102,778	971,434
Fundraising	315,198	-	315,198	261,228
Facilities	773,196	-	773,196	-
<b>Total Supporting Services</b>	<b>2,191,172</b>	<b>-</b>	<b>2,191,172</b>	<b>1,232,662</b>
<b>TOTAL EXPENDITURES</b>	<b>7,692,862</b>	<b>-</b>	<b>7,692,862</b>	<b>10,496,245</b>
<b>CHANGE IN NET ASSETS</b>	152,956	(258,991)	(106,035)	(983,609)
<b>TRANSFER OF NET ASSETS TO IPC</b>	(506,300)	(121,571)	(627,871)	-
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>2,158,590</b>	<b>2,570,595</b>	<b>4,729,185</b>	<b>5,712,794</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,805,246</b>	<b>\$ 2,190,033</b>	<b>\$ 3,995,279</b>	<b>\$ 4,729,185</b>

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, 2019 WITH COMPARATIVE TOTALS FOR 2018

	Program Services			General and Administrative	Fundraising	Facilities	Totals	Totals
	Ministry and Media Outreach	Church Activities	Total Program				2019	2018
<b>PERSONNEL EXPENSES</b>								
Salaries and wages	\$ 1,146,161	\$ 124,528	\$ 1,270,689	\$ 85,479	\$ 135,413	\$ 23,135	\$ 1,514,716	\$ 2,428,169
Payroll taxes	69,559	5,786	75,345	16,127	3,138	1,743	96,353	159,570
Health insurance	56,509	6,550	63,059	5,633	6,956	3,509	79,157	153,128
Benefits	26,531	2,600	29,131	8,259	-	-	37,390	58,583
Total personnel expenses	<u>1,298,760</u>	<u>139,464</u>	<u>1,438,224</u>	<u>115,498</u>	<u>145,507</u>	<u>28,387</u>	<u>1,727,616</u>	<u>2,799,450</u>
<b>OPERATIONAL EXPENSES</b>								
Advertising	709	-	709	-	-	-	709	25,526
Airtime	1,115,784	-	1,115,784	-	96,130	-	1,211,914	1,709,114
Contractors	135,881	2,246	138,127	-	20,993	-	159,120	142,394
Depreciation	-	-	-	-	-	124,809	124,809	163,204
Donation	-	-	-	200,000	-	-	200,000	-
Equipment	-	-	-	89,384	-	3,630	93,014	98,282
Events	12,185	8,960	21,145	2,840	6,087	3,543	33,615	97,513
Fees and dues	31,938	25,779	57,717	70,969	119	1,210	130,015	186,137
Honorariums	-	-	-	-	-	-	-	657,192
Insurance	2,562	-	2,562	-	-	74,927	77,489	82,245
Interest	-	-	-	-	-	-	-	15,660
Move/relocation	-	-	-	-	-	-	-	105,562
Offers	282,941	-	282,941	-	-	-	282,941	308,834
Postage	272,432	800	273,232	221	935	-	274,388	266,589
Printing	426,354	-	426,354	-	26	-	426,380	429,759
Professional services - Music	258,253	53,646	311,899	-	-	-	311,899	-
Professional services - Operations	1,291,831	7,628	1,299,459	585,562	43,009	-	1,928,030	2,106,393
Repairs and maintenance	37,595	1,770	39,365	9,977	-	176,046	225,388	199,350
Rent	-	-	-	-	-	326,355	326,355	738,096
Storage	-	-	-	-	-	20,565	20,565	60,239
Supplies	58,941	3,062	62,003	6,467	45	5,848	74,363	118,439
Telephone	5,120	-	5,120	19,741	-	2,417	27,278	77,216
Travel	21,035	6,014	27,049	2,119	2,347	-	31,515	70,440
Utilities	-	-	-	-	-	5,459	5,459	38,611
Total operational expenses	<u>3,953,561</u>	<u>109,905</u>	<u>4,063,466</u>	<u>987,280</u>	<u>169,691</u>	<u>744,809</u>	<u>5,965,246</u>	<u>7,696,795</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 5,252,321</u>	<u>\$ 249,369</u>	<u>\$ 5,501,690</u>	<u>\$ 1,102,778</u>	<u>\$ 315,198</u>	<u>\$ 773,196</u>	<u>\$ 7,692,862</u>	<u>\$ 10,496,245</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,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (106,035)	\$ (983,609)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Gain (loss) on investments	(209,020)	69,954
Loss on disposal of property and equipment	68,238	233,796
Depreciation	124,809	163,204
Noncash reduction to notes payable	-	(300,774)
Changes in operating assets and liabilities:		
Pledges receivable	(1,188,292)	608,684
Accounts receivable	(66,908)	(1,375)
Inventory	(87,294)	43,303
Prepaid expenses and other assets	240,914	(201,342)
Accounts payable	(190,693)	197,310
Accrued expenses	35,621	148,800
Net Cash Used In Operating Activities	(1,378,660)	(22,049)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Endowment funds transferred to TCC for merger with IPC	(61,816)	-
Purchases of property and equipment	(318,859)	(501,014)
Proceeds from disposal of equipment	39,250	57,811
Proceeds (purchases) from investments, net	(348,970)	114,591
Net Cash Used In Investing Activities	(690,395)	(328,612)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal repayments on notes payable	(204,567)	-
Proceeds from notes payable	1,181,144	-
Net Cash Provided By Financing Activities	976,577	-
<b>NET CHANGE IN CASH AND EQUIVALENTS</b>	(1,092,478)	(350,661)
<b>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</b>	1,487,110	1,837,771
<b>CASH AND EQUIVALENTS AT END OF YEAR</b>	\$ 394,632	\$ 1,487,110
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ -	\$ 9,676
Cash paid for income taxes	-	-

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

## CRYSTAL CATHEDRAL MINISTRIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

#### NOTE 1 – Nature of Organization

##### *Operations*

The accompanying consolidated financial statements include the accounts of Crystal Cathedral Ministries (CCM) 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*.

On February 28, 2019, The Crystal Cathedral (TCC) entered into a merger agreement with Irvine Presbyterian Church Incorporated (IPC). Under the terms of the merger, the assets of TCC, which relate to the operations of the Shepherd's Grove church, were combined with those of IPC. TCC ceased as an operating entity, and IPC became the surviving entity. The assets transferred in the merger included cash, certain accrued expenses, and equipment of approximately \$628,000.

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

## CRYSTAL CATHEDRAL MINISTRIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

#### NOTE 2 – Summary of Significant Accounting Policies (Continued)

##### *Recently Adopted Accounting Standards*

Beginning January 1, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2016-09) and ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08), and has applied them prospectively. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP and requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2018-08 provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standards.

##### *Recently Issued Accounting Standard*

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Organization's fiscal years beginning after December 15, 2021 (fiscal year ending December 31, 2022 for the Organization), with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

## CRYSTAL CATHEDRAL MINISTRIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

#### 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 revenue 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 accounting 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, 2018, from which the summarized information was derived.

## CRYSTAL CATHEDRAL MINISTRIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

#### 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 several 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, 2019

#### 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 include 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 accounts receivable. Management has concluded that anticipated losses on balances outstanding at December 31, 2019 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, 2019

#### NOTE 2 – Summary of Significant Accounting Policies (Continued)

##### *Property and Equipment*

Property and equipment are stated at cost, except for 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 \$700 and \$26,000 for the years ended December 31, 2019 and 2018, 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, 2019**

**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 statement of financial position date, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 394,632
Investments	2,429,488
Pledges receivable	1,528,202
Accounts receivable	<u>211,977</u>
	<u>4,564,299</u>
Less amounts unavailable for general expenditure within one year due to:	
Restricted by donor for purpose	<u>(2,190,033)</u>
	<u>\$ 2,374,266</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	\$ 1,528,202
Receivable in one to five years	-
Receivable in more than five years	<u>-</u>
	<u>\$ 1,528,202</u>

## CRYSTAL CATHEDRAL MINISTRIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

#### NOTE 5 – Property and Equipment

Property and equipment consist of the following at December 31, 2019:

Furniture and equipment	\$ 5,823,922
Buildings and improvements	<u>63,852</u>
	5,887,774
Accumulated depreciation	<u>(5,360,894)</u>
	<u>\$ 526,880</u>

Depreciation expense was \$124,809 for the year ended December 31, 2019.

#### 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, 2019, 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, 2019**

**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, 2019 are as follows:

	<u>Beginning of Year</u>	<u>Support and Revenue</u>	<u>Transferred to IPC or Released from Restriction</u>	<u>End of Year</u>
Airtime and media	\$ 2,407,674	\$ 1,000	\$ (252,240)	\$ 2,156,434
Children’s Choir and Music Program	28,937	50,000	(55,338)	23,599
Family ministry development	59,230	-	(59,230)	-
Congregation	56,700	-	(56,700)	-
Other program and time restrictions	<u>18,054</u>	<u>8,423</u>	<u>(16,477)</u>	<u>10,000</u>
	<u>\$ 2,570,595</u>	<u>\$ 59,423</u>	<u>\$ (439,985)</u>	<u>\$ 2,190,033</u>

**NOTE 8 – Endowment**

The 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, 2019 by net asset class are as follows:

	<u>Airtime and Media</u>
Original donor-restricted amount maintained in perpetuity	\$ 33,050
Donor-restricted amount maintained with limited release and accumulated investment gains	<u>2,123,384</u>
	<u>\$ 2,156,434</u>

**CRYSTAL CATHEDRAL MINISTRIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 8 – Endowment (Continued)**

Changes in endowment net assets for the year ended December 31, 2019 were as follows:

	<u>Airtime and Media</u>	<u>Congregation</u>	<u>Total</u>
January 1, 2019	\$ 2,407,674	\$ 56,700	\$ 2,464,374
Contributions	1,000	-	1,000
Investment income	-	5,116	5,116
Transfer to IPC in merger	-	(61,816)	(61,816)
Expenditures	<u>(252,240)</u>	<u>-</u>	<u>(252,240)</u>
December 31, 2019	<u>\$ 2,156,434</u>	<u>\$ -</u>	<u>\$ 2,156,434</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 (the Committee) is responsible for making decisions on the placement of investment assets for endowment funds. The 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, 2019**

**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:

<b><u>Year Ending December 31,</u></b>	
2020	\$ 667,021
2021	685,969
2022	681,886
2023	<u>225,552</u>
	<u>\$ 2,260,428</u>

Certain shared costs, including facilities rent, are reimbursed to the Organization from IPC. Rent expense incurred by the Organization for facilities and equipment, net of shared costs allocated to IPC, for the year ended December 31, 2019 totaled \$447,866.

**NOTE 10 – Subsequent Events**

In March 2020, Congress passed the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act, authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities and interest on mortgages. Loans obtained through the program are eligible to be forgiven if the proceeds are used for qualifying purposes and certain other conditions are met. On April 13, 2020, the Organization received a loan in the amount of \$414,709 through the Paycheck Protection Program. Management expects that the entire loan will be used for payroll, utilities, rent and interest; therefore, management anticipates that the loan will be substantially forgiven. To the extent it is not forgiven, the Organization would be required to repay that portion at an interest rate of 1% over a period of two years, beginning October 13, 2020, with a final installment in April 13, 2022.

**CRYSTAL CATHEDRAL MINISTRIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 10 – Subsequent Events (Continued)**

Because of the severity and global nature of the COVID-19 pandemic, it is reasonably possible that the estimates in the consolidated financial statements will change in the near term and the effect of such change could be material. The impact on the Organization's business could be significant and have a material impact on its financial position and operating results. Management is in the process of evaluating the potential future impact on the Organization and the financial statements.

Management has evaluated subsequent events through September 2, 2020, the date these consolidated financial statements were available to be issued.