

CRYSTAL CATHEDRAL MINISTRIES

FINANCIAL STATEMENTS

December 31, 2022
with Comparative Information for 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Crystal Cathedral Ministries:

Opinion

We have audited the accompanying financial statements of Crystal Cathedral Ministries (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crystal Cathedral Ministries (the Organization) as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2, beginning January 1, 2022, the Organization adopted Accounting Standards Update No. 2016-02, *Leases* (Topic 842) and its related amendments using the modified-retrospective transition method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Long Beach, California
September 12, 2023

CRYSTAL CATHEDRAL MINISTRIES

STATEMENT OF FINANCIAL POSITION

ASSETS

| | December 31, | |
|-------------------------------------|---------------------|--------------|
| | 2022 | 2021 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,381,938 | \$ 896,345 |
| Investments | - | 4,552,436 |
| Accounts receivable | 1,562,123 | 762,904 |
| Inventory | 225,191 | 214,999 |
| Prepaid expenses | 101,909 | 81,028 |
| Total current assets | 3,271,161 | 6,507,712 |
| PROPERTY AND EQUIPMENT, NET | 2,614,510 | 500,372 |
| NONCURRENT ASSETS | | |
| Other noncurrent assets | 134,239 | 135,971 |
| Operating lease right-of-use assets | 6,707,153 | - |
| Total noncurrent assets | 6,841,392 | 135,971 |
| TOTAL ASSETS | \$ 12,727,063 | \$ 7,144,055 |

LIABILITIES AND NET ASSETS

| | | |
|---|---------------|--------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 85,940 | \$ 104,364 |
| Accrued expenses | 612,923 | 516,267 |
| Operating lease liabilities, current portion | 638,875 | - |
| Total current liabilities | 1,337,738 | 620,631 |
| NONCURRENT LIABILITIES | | |
| Note payable - affiliate | 253,760 | - |
| Operating lease liabilities, net of current portion | 6,146,345 | - |
| Total noncurrent liabilities | 6,400,105 | - |
| NET ASSETS | | |
| Without donor restrictions | 2,701,635 | 4,256,069 |
| With donor restrictions | 2,287,585 | 2,267,355 |
| Total net assets | 4,989,220 | 6,523,424 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 12,727,063 | \$ 7,144,055 |

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

CRYSTAL CATHEDRAL MINISTRIES

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH COMPARATIVE TOTALS FOR 2021**

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|---|---------------------------------------|------------------------------------|---------------------|---------------------|
| | | | 2022 | 2021 |
| SUPPORT AND REVENUE | | | | |
| Contributions | \$ 7,193,164 | \$ 20,230 | \$ 7,213,394 | \$ 6,148,594 |
| Royalty income | 20,250 | - | 20,250 | 1,919,050 |
| Paycheck Protection Program loan forgiveness | - | - | - | 414,709 |
| Other income (loss) | (23,583) | - | (23,583) | 79,454 |
| Interest and dividends | 11 | - | 11 | 68,619 |
| Gain (Loss) on investments | (904,879) | - | (904,879) | 281,731 |
| Total Support and Revenue | 6,284,963 | 20,230 | 6,305,193 | 8,912,157 |
| EXPENDITURES | | | | |
| Program Services | | | | |
| Ministry and media activities | 6,560,578 | - | 6,560,578 | 5,445,769 |
| Total Program Services | 6,560,578 | - | 6,560,578 | 5,445,769 |
| Supporting Services | | | | |
| General and administrative | 823,994 | - | 823,994 | 569,748 |
| Fundraising | 243,135 | - | 243,135 | 291,930 |
| Facilities | 211,690 | - | 211,690 | 792,552 |
| Total Supporting Services | 1,278,819 | - | 1,278,819 | 1,654,230 |
| TOTAL EXPENDITURES | 7,839,397 | - | 7,839,397 | 7,099,999 |
| CHANGE IN NET ASSETS | (1,554,434) | 20,230 | (1,534,204) | 1,812,158 |
| NET ASSETS AT BEGINNING OF YEAR | 4,256,069 | 2,267,355 | 6,523,424 | 4,711,266 |
| NET ASSETS AT END OF YEAR | \$ 2,701,635 | \$ 2,287,585 | \$ 4,989,220 | \$ 6,523,424 |

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

CRYSTAL CATHEDRAL MINISTRIES

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021

| | Program Services | | Supporting Services | | | Totals | |
|----------------------------------|-----------------------------|----------------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| | Ministry and Media Outreach | General and Administrative | Fundraising | Facilities | Total Support | 2022 | 2021 |
| PERSONNEL EXPENSES | | | | | | | |
| Salaries and wages | \$ 1,447,370 | \$ 187,146 | \$ 78,509 | \$ - | \$ 265,655 | \$ 1,713,025 | \$ 1,442,009 |
| Payroll taxes | 85,131 | 22,650 | 3,294 | - | 25,944 | 111,075 | 98,511 |
| Health insurance | 126,738 | 6,273 | 3,028 | - | 9,301 | 136,039 | 99,169 |
| Benefits | 18,888 | 4,791 | - | - | 4,791 | 23,679 | 19,352 |
| Total personnel expenses | <u>1,678,127</u> | <u>220,860</u> | <u>84,831</u> | <u>-</u> | <u>305,691</u> | <u>1,983,818</u> | <u>1,659,041</u> |
| OPERATIONAL EXPENSES | | | | | | | |
| Advertising | 111,547 | 3,660 | - | - | 3,660 | 115,207 | 300,657 |
| Airtime/Production | 1,532,375 | - | - | - | - | 1,532,375 | 1,062,385 |
| Contractors | 124,650 | - | 48,000 | - | 48,000 | 172,650 | 181,099 |
| Depreciation | 130,968 | 13,702 | 7,021 | 19,061 | 39,784 | 170,752 | 149,058 |
| Education and scholarships | 60 | 5,860 | - | - | 5,860 | 5,920 | 2,065 |
| Equipment leases | 6,000 | 62,518 | - | 1,810 | 64,328 | 70,328 | 56,393 |
| Events | - | 3,069 | 108 | 8,378 | 11,555 | 11,555 | 74,357 |
| Fees and dues | 181,454 | 120,452 | - | 1,004 | 121,456 | 302,910 | 111,375 |
| Insurance | 60,651 | 6,345 | 3,251 | 8,827 | 18,423 | 79,074 | 73,144 |
| Interest expense | - | 6,866 | - | - | 6,866 | 6,866 | - |
| Offers | 154,009 | - | - | - | - | 154,009 | 200,862 |
| Printing and postage | 555,143 | 15,337 | 527 | - | 15,864 | 571,007 | 640,794 |
| Professional fees - music | 336,723 | - | - | - | - | 336,723 | 369,026 |
| Professional fees - operations | 1,266,125 | 208,033 | 84,422 | 215 | 292,670 | 1,558,795 | 1,557,910 |
| Repairs and maintenance | 8,384 | - | - | 131,932 | 131,932 | 140,316 | 191,011 |
| Rent | 202,301 | 21,165 | 10,845 | 29,442 | 61,452 | 263,753 | 312,994 |
| Storage | 69,458 | 7,267 | 3,723 | 10,109 | 21,099 | 90,557 | 13,870 |
| Supplies/Food | 113,418 | 70,458 | 407 | 76 | 70,941 | 184,359 | 124,434 |
| Travel | 24,766 | 56,232 | - | - | 56,232 | 80,998 | 10,769 |
| Utilities | 4,419 | 2,170 | - | 836 | 3,006 | 7,425 | 8,755 |
| Total operational expenses | <u>4,882,451</u> | <u>603,134</u> | <u>158,304</u> | <u>211,690</u> | <u>973,128</u> | <u>5,855,579</u> | <u>5,440,958</u> |
| TOTAL FUNCTIONAL EXPENSES | <u>\$ 6,560,578</u> | <u>\$ 823,994</u> | <u>\$ 243,135</u> | <u>\$ 211,690</u> | <u>\$ 1,278,819</u> | <u>\$ 7,839,397</u> | <u>\$ 7,099,999</u> |

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

CRYSTAL CATHEDRAL MINISTRIES

STATEMENT OF CASH FLOWS

| | For the Year Ended December 31, | |
|--|------------------------------------|--------------|
| | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (1,534,204) | \$ 1,812,158 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Loss (Gain) on investments | 904,879 | (281,731) |
| Gain on disposal of property and equipment | - | (500) |
| Forgiveness of Paycheck Protection Program loan | - | (414,709) |
| Depreciation | 170,752 | 149,058 |
| Amortization on operating lease right-of-use assets | 630,066 | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (799,219) | (390,137) |
| Inventory | (10,192) | (21,927) |
| Prepaid expenses | (20,881) | (81,028) |
| Other noncurrent assets | 1,731 | 2,002 |
| Accounts payable | (18,424) | 30,595 |
| Accrued expenses | 96,656 | 224,623 |
| Operating lease liability | (551,999) | - |
| Net Cash Provided By (Used In) Operating Activities | (1,130,835) | 1,028,404 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (2,284,889) | (190,264) |
| Proceeds from disposal of equipment | - | 500 |
| Proceeds from the sale of investments | 3,647,557 | - |
| Purchases of investments | - | (625,227) |
| Net Cash Provided By (Used In) Investing Activities | 1,362,668 | (814,991) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal proceeds from note payable - affiliate | 253,760 | - |
| Net Cash Provided By Financing Activities | 253,760 | - |
| NET CHANGE IN CASH AND EQUIVALENTS | 485,593 | 213,413 |
| CASH AND EQUIVALENTS AT BEGINNING OF YEAR | 896,345 | 682,932 |
| CASH AND EQUIVALENTS AT END OF YEAR | \$ 1,381,938 | \$ 896,345 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the year for: | | |
| Interest expense | \$ 6,866 | \$ - |

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

CRYSTAL CATHEDRAL MINISTRIES

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

NOTE 1 – Nature of Organization

Crystal Cathedral Ministries (the Organization) is a nonprofit corporation which operates in Irvine, California. The Organization broadcasts the Shepherd’s Grove Presbyterian Church service weekly as the “*Hour of Power with Bobby Schuller.*” The Organization receives donations from the viewers of the “*Hour of Power with Bobby Schuller.*”

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting

The 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 financial statements to the reader.

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 to be met by the 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 statement of activities as net assets released from restrictions.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing 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 financial statements.

CRYSTAL CATHEDRAL MINISTRIES

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Prior-Period Information

The 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 financial statements for the year ended December 31, 2021, from which the summarized information was derived.

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 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 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 statement of activities.

CRYSTAL CATHEDRAL MINISTRIES

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 financial statements, as it does not meet the recognition criteria under generally accepted accounting principles for contributed services.

Cash and Cash Equivalents

Cash consists of cash on hand, in banks, and in money market accounts. The Organization considers all highly liquid investments with maturities of 90 days or less to be cash equivalents. The Organization maintains its cash accounts at various financial institutions.

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 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, 2022 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 FINANCIAL STATEMENTS DECEMBER 31, 2022

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is 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 \$115,207 and \$300,657 for the years ended December 31, 2022 and 2021, 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 FINANCIAL STATEMENTS DECEMBER 31, 2022

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued new lease accounting guidance in Accounting Standards Update (ASU) 2016-02 *Leases* (Topic 842) (ASU 2016-02), which modifies lease accounting for lessees to increase transparency and comparability by requiring the Organization to recognize a lease liability and related right-of-use assets for all leases (with the exception of short-term leases) at the commencement date of the lease and to disclose key information about leasing arrangements.

Effective January 1, 2022, the Organization adopted ASU 2016-02. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The Organization's policy for determining its lease discount rate used in measuring lease liabilities is to use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, then the Organization has elected to use the risk-free discount rate, as permitted by accounting principles generally accepted in the United States of America, determined using a period comparable with that of the lease term.

The Organization has elected a policy to account for short-term leases, defined as any lease with a term less than 12 months, by recognizing all components of the lease payment in the statement of activities in the period in which the obligation for the payment is incurred.

The Organization adopted ASU 2016-02 utilizing the modified-retrospective transition method, through a cumulative-effect adjustment. The adoption of ASU 2016-02 resulted in the recognition of operating lease right-of-use assets and operating lease liabilities of \$7,337,219 as of January 1, 2022. Results for periods prior to January 1, 2022, continue to be reported in accordance with the Organization's historical accounting treatment. The adoption of ASU 2016-02 did not have a material impact on the Organization's results of operations or cash flows.

Contingencies

The Organization may be subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Organization.

CRYSTAL CATHEDRAL MINISTRIES

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management has evaluated subsequent events through September 12, 2023, the date these financial statements were available to be issued.

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 | \$ 1,381,938 |
| Accounts receivable | <u>1,562,123</u> |
| | <u>2,944,061</u> |
| | |
| Less amounts unavailable for general expenditure within one year due to: | |
| Restricted by donor for purpose | <u>(2,287,585)</u> |
| | <u>\$ 656,476</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 – Property and Equipment

Property and equipment consist of the following at December 31, 2022:

| | |
|----------------------------|---------------------|
| Furniture and equipment | \$ 4,921,002 |
| Buildings and improvements | <u>2,265,368</u> |
| | 7,186,370 |
| Accumulated depreciation | <u>(4,571,860)</u> |
| | <u>\$ 2,614,510</u> |

Depreciation expense was \$170,752 for the year ended December 31, 2022.

CRYSTAL CATHEDRAL MINISTRIES

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 – Note Payable – Affiliate

At December 31, 2022, note payable - affiliate represents a secured loan agreement with Crystal Cathedral Ministries – Hour of Power Canada totaling \$253,760. This agreement provides for a maximum funding of \$400,000, accrues interest annually at 5%, with entire unpaid principal and accrued interest due December 31, 2025.

NOTE 6 – 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, 2022 is as follows:

| | <u>Beginning of Year</u> | <u>Support and Revenue</u> | <u>Released from Restriction</u> | <u>End of Year</u> |
|--|------------------------------|------------------------------------|--|---------------------|
| Airtime and media | \$ 2,257,355 | \$ 1,729 | \$ - | \$ 2,259,084 |
| Other program and time restrictions | <u>10,000</u> | <u>18,501</u> | <u>-</u> | <u>28,501</u> |
| | <u>\$ 2,267,355</u> | <u>\$ 20,230</u> | <u>\$ -</u> | <u>\$ 2,287,585</u> |

NOTE 7 – Endowment

The endowment is restricted for support of the television program “*Hour of Power with Bobby Schuller,*” and annual spending appropriations are restricted to 10% of the fund balance.

The Organization’s endowment funds as of December 31, 2022 by net asset class are as follows:

| | <u>Without Restrictions</u> | <u>With Restrictions</u> | <u>Total</u> |
|--|---------------------------------|------------------------------|-------------------|
| Original donor-restricted amount maintained in perpetuity | \$ - | \$ 36,390 | \$ 36,390 |
| Donor-restricted amount maintained with limited release and accumulated investment gains | <u>(1,500,000)</u> | <u>2,222,694</u> | <u>722,694</u> |
| | <u>\$ (1,500,000)</u> | <u>\$ 2,259,084</u> | <u>\$ 759,084</u> |

CRYSTAL CATHEDRAL MINISTRIES

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7 – Endowment (Continued)

Changes in endowment net assets for the year ended December 31, 2022 were as follows:

| | <u>Without Restrictions</u> | <u>With Restrictions</u> | <u>Total</u> |
|--|---------------------------------|------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ - | \$ 2,257,355 | \$ 2,257,355 |
| Transfer from Airtime Fund | (1,500,000) | - | (1,500,000) |
| Contributions | <u>-</u> | <u>1,729</u> | <u>1,729</u> |
| Endowment net assets, end of year | <u>\$ (1,500,000)</u> | <u>\$ 2,259,084</u> | <u>\$ 759,084</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 of Directors 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 FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7 – Endowment (Continued)

In December 2022, the Organization’s Board of Directors authorized the Organization to expend \$1,500,000 from the Airtime Fund, a permanent endowment fund, as a contribution towards the purchase of a \$2,200,000 parsonage for a pastor. Under terms of the Board resolution authorization, this expenditure was made with the stipulation that the Airtime Fund’s assets would be restored by the Organization upon securing permanent funding for the parsonage and paying a market interest rate on the outstanding balance. As of December 31, 2022, the balance remaining to be restored to the Airtime Fund was \$1,500,000 and is classified in the accompanying statement of financial position as a reduction of unrestricted net assets.

NOTE 8 – Commitments and Contingencies

Shared Costs Allocation

The Organization is subject to a shared costs allocation agreement with Irvine Presbyterian Church (the Affiliate), whereby certain shared costs, including facilities rent, are reimbursed to the Organization. At December 31, 2022, amounts due from the Affiliate included in accounts receivable in the accompanying statement of financial position is summarized as follows:

| | |
|----------------------------|---------------------|
| Balance, January 1, 2022 | \$ 588,683 |
| Shared costs allocation | 1,216,837 |
| Cash reimbursements | <u>(404,322)</u> |
| Balance, December 31, 2022 | <u>\$ 1,401,198</u> |

NOTE 9 – Lease Arrangements

The Organization leases its Irvine, California facility and equipment under operating leases with initial terms of two-to-ten-years. The exercise of renewal options, if any, is at the sole discretion of the Organization, and only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

While all the agreements provide for minimum lease payments, some include payments adjusted for inflation. Variable payments that are not determinable at lease commencement are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

CRYSTAL CATHEDRAL MINISTRIES

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 9 – Lease Arrangements (Continued)

The Organization leases its Irvine, California facility under a ten-year noncancelable agreement expiring in April 2033 from the Affiliate. Under the terms of this agreement, the Organization is responsible to pay executory costs (real estate taxes, insurance, utilities, and maintenance).

The Organization leases additional storage facilities and office equipment for varying terms and conditions under long-term noncancelable operating lease agreements. These leases expire at various dates through April 2027. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other storage facilities or office equipment.

At December 31, 2022, the line items in the statement of financial position, which include amounts for operating leases, are summarized as follows:

| | |
|--|---------------------|
| Operating lease right-of-use assets | <u>\$ 6,707,153</u> |
| Current portion of operating lease liabilities | \$ 638,875 |
| Long-term portion of operating lease liabilities | <u>6,146,345</u> |
| | <u>\$ 6,785,220</u> |

During the year ended December 31, 2022, the cash flow information related to financing and operating leases is summarized as follows:

| | |
|--|---------------------|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows from operating leases | <u>\$ 663,772</u> |
| Noncash investing and financing activities: | |
| Right-of-use assets obtained in exchange for operating lease liabilities upon adoption | <u>\$ 7,337,219</u> |

At December 31, 2022, the weighted-average lease term and discount rate were as follows:

| | |
|--|-------------|
| Weighted-average remaining lease term – operating leases | 10.07 years |
| Weighted-average discount rate—operating leases | 1.58% |

CRYSTAL CATHEDRAL MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9 – Lease Arrangements (Continued)

The maturities of operating lease liabilities as of December 31, 2022 are as follows:

| <u>Year Ending December 31,</u> | <u>Operating Leases</u> |
|---|-----------------------------|
| 2023 | \$ 742,685 |
| 2024 | 734,235 |
| 2025 | 693,320 |
| 2026 | 693,320 |
| 2027 | 673,885 |
| Thereafter | <u>3,820,000</u> |
| Total minimum lease payments | 7,357,445 |
| Less amount representing interest | <u>(572,225)</u> |
| Present value of minimum lease payments | 6,785,220 |
| Less current portion | <u>(638,875)</u> |
| | <u>\$ 6,146,345</u> |

NOTE 10 – Royalty Income

During the year ended December 31, 2021, the Organization received a catchup distribution of escrowed funds relating to compulsory cable and satellite licensing royalties that were held by the U.S. Copyright Office pending resolution of legal disputes dating back to 1999. At December 31, 2022, some of these legal disputes are still pending, which could result in future release of additional funds. Due to the uncertainty surrounding settlement of pending legal disputes, the Organization will not recognize any amount in the financial statements until received.