



Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

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## **Independent Auditor's Report**

**To the Board of Trustees  
CRISTA Ministries  
Shoreline, Washington**

We have audited the accompanying consolidated financial statements of CRISTA Ministries ("the Organization") which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of changes in net assets without donor restrictions, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



T: 425-454-4919  
T: 800-504-8747  
F: 425-454-4620

10900 NE 4th St  
Suite 1400  
Bellevue WA  
98004

[clarknuber.com](http://clarknuber.com)

## **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 June 30, 2021 and 2020, and the results of its activities and change in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Effect of Adopting New Accounting Standard**

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and related ASUs, for the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 40 and 41 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Clark Nuber P.S.*

Certified Public Accountants  
November 26, 2021

**CRISTA MINISTRIES**

**Consolidated Balance Sheets - Assets**  
**June 30, 2021 and 2020**  
(In Thousands)

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents (Note 4)-		
Available for current ministries	\$ 4,852	\$ 1,488
Held for donor restricted ministry purposes	2,436	2,020
Held by field operations	1,744	1,928
Cash held by discontinued operations (Note 2)	<u>1,200</u>	<u>1,072</u>
Total cash and cash equivalents	10,232	6,508
Grants receivable	517	481
Pledges receivable, current portion (Note 5)	97	424
Trade receivables, net	2,249	2,621
Note receivable, current portion (Note 14)	123	125
Short-term investments (Note 6)	692	737
Prepaid expenses and other assets	1,002	1,459
Donated project supply inventory	<u>186</u>	<u>          </u>
<b>Total Current Assets</b>	<b>15,098</b>	<b>12,355</b>
Long-term investments (Note 6)-		
Available for current ministries	32,809	27,638
Endowment accounts	13,571	14,085
Other investments	366	366
Investments held by discontinued operations	<u>5,645</u>	<u>4,870</u>
Total long-term investments	52,391	46,959
Long-term pledges receivable, net (Note 5)		11
Planned giving program assets (Notes 6 and 9)	4,428	4,176
Property and equipment used in ministries, net (Note 8)	56,884	61,967
Assets held by field operations (Note 10)	3,761	3,802
Long-term note receivable, net (Note 14)	1,345	1,420
Deferred rent receivable	394	347
Radio licenses, net (Note 1)	1	7
Noncurrent assets held for sale (Note 2)	<u>1,500</u>	<u>10,305</u>
<b>Total Assets</b>	<b>\$ 135,802</b>	<b>\$ 141,349</b>

See accompanying notes.

**CRISTA MINISTRIES**

**Consolidated Balance Sheets - Liabilities and Net Assets**  
**June 30, 2021 and 2020**  
(In Thousands)

	<u>2021</u>	<u>2020</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 8,328	\$ 8,199
Accounts payable held in field offices	2,881	2,881
Deferred revenue	1,429	1,187
Grant advances	1,205	2,044
Line of credit (Note 12)		10,000
Current portion of long-term debt (Note 12)	1,011	974
Current liabilities from discontinued operations (Note 2)	<u>6,934</u>	<u>1,453</u>
<b>Total Current Liabilities</b>	<b>21,788</b>	<b>26,738</b>
Long-term debt, net (Note 12)	6,721	7,718
Other long-term liabilities	1,335	1,057
Refundable entry fees	4,998	5,266
Nonrefundable entry fees	5,458	5,800
Deposits and deferred rent	320	453
Planned giving program obligations (Note 9)	1,517	1,792
Noncurrent liabilities from discontinued operations (Note 2)	<u>33</u>	<u>47</u>
<b>Total Liabilities</b>	<b>42,170</b>	<b>48,871</b>
<b>Net Assets:</b>		
Without donor restrictions-		
General	20,138	3,647
Represented by property, equipment and intangibles owned by the Organization	<u>50,527</u>	<u>63,446</u>
Total net assets without donor restrictions	70,665	67,093
With donor restrictions-		
Restricted for program activities	6,240	8,607
Restricted for capital acquisitions	280	297
The Organization's portion of irrevocable trust agreements	39	377
Student financial aid and teacher excellence endowment	3,982	3,725
Senior living resident financial aid endowment	2,137	2,137
World Concern term endowment	4,856	4,856
Other (restricted for endowment funds)	3,189	3,621
Perpetual trust (Note 9)	<u>2,244</u>	<u>1,765</u>
Total net assets with donor restrictions	<u>22,967</u>	<u>25,385</u>
<b>Total Net Assets</b>	<b><u>93,632</u></b>	<b><u>92,478</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 135,802</u></b>	<b><u>\$ 141,349</u></b>

See accompanying notes.

**CRISTA MINISTRIES**

**Consolidated Statements of Changes in Net Assets Without Donor Restrictions  
For the Years Ended June 30, 2021 and 2020  
(In Thousands)**

	<u>2021</u>	<u>2020</u>
<b>Revenues, Gains and Losses:</b>		
Fees for services	\$ 45,765	\$ 50,202
Contributions	7,678	4,626
Contributions released from restrictions	11,822	14,660
Contributions redirected by donors	(273)	
Gifts-in-kind (Note 11)	387	12,688
Gifts-in-kind, U.S. Government (Note 11)	34	
Government grants	1,323	372
Other program revenue	644	1,119
Miscellaneous income	245	673
Investment return, net-		
Income on investments	178	790
Net realized and unrealized gains on investments and planned giving program	<u>6,070</u>	<u>260</u>
Investment return, net	6,248	1,050
Foreign currency exchange losses	<u>(47)</u>	<u>(22)</u>
<b>Total Revenues, Gains and Losses</b>	<b>73,826</b>	<b>85,368</b>
<b>Expenses:</b>		
Program services-		
Program	53,894	60,364
Gifts-in-kind (Note 11)	178	12,610
Gifts-in-kind, U.S. Government (Note 11)	34	
Total program services	<u>54,106</u>	<u>72,974</u>
Fundraising-		
Fundraising	5,747	4,554
Gifts-in-kind (Note 11)	195	112
Total fundraising	<u>5,942</u>	<u>4,666</u>
Management and general-		
Management and general	9,458	12,578
Gifts-in-kind (Note 11)	14	12
Total management and general	<u>9,472</u>	<u>12,590</u>
<b>Total Expenses</b>	<b>69,520</b>	<b>90,230</b>
<b>Change in Net Assets Without Donor Restrictions From Continuing Operations</b>	<b>4,306</b>	<b>(4,862)</b>
<b>Discontinued Operations (Note 2):</b>		
Loss from discontinued operations	(734)	(4,035)
Release of net assets due to discontinued operations (Note 2)	6,525	
CVM net assets to be transferred to new entity	(6,525)	
Income tax benefit		448
<b>Change in Net Assets From Discontinued Operations</b>	<b>(734)</b>	<b>(3,587)</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>\$ 3,572</b>	<b>\$ (8,449)</b>

See accompanying notes.

**CRISTA MINISTRIES**

**Consolidated Statements of Changes in Net Assets  
For the Years Ended June 30, 2021 and 2020  
(In Thousands)**

	<u>2021</u>	<u>2020</u>
<b>Net Assets Without Donor Restrictions:</b>		
Total revenues, gains and losses	\$ 62,004	\$ 70,708
Contributions released from restrictions	11,822	14,660
Total expenses	(69,520)	(90,230)
Discontinued operations	(734)	(3,587)
	<u>3,572</u>	<u>(8,449)</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>3,572</b>	<b>(8,449)</b>
<b>Net Assets With Donor Restrictions:</b>		
Contributions	12,800	11,722
Contributions released from restrictions	(11,822)	(14,660)
Release of net assets due to discontinued operations (Note 2)	(6,525)	
Transfer of endowment due to discontinued operations (Note 2)	(65)	(254)
Contributions redirected by donors	273	
Investment return, net-		
Income on investments	370	347
Net realized and unrealized gains on investments and planned giving program	<u>2,551</u>	<u>331</u>
Investment return, net	<u>2,921</u>	<u>678</u>
	<u>(2,418)</u>	<u>(2,514)</u>
<b>Change in Net Assets With Donor Restrictions</b>	<b>(2,418)</b>	<b>(2,514)</b>
<b>Total Change in Net Assets</b>	<b>1,154</b>	<b>(10,963)</b>
Net assets, beginning of year	<u>92,478</u>	<u>103,441</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 93,632</u></b>	<b><u>\$ 92,478</u></b>

See accompanying notes.



**CRISTA MINISTRIES**

**Consolidated Statement of Functional Expenses  
For the Years Ended June 30, 2021  
(In Thousands)**

	Program Services	Fundraising	Management and General	Total
Salaries	\$ 25,848	\$ 2,451	\$ 5,067	\$ 33,366
Payroll taxes	2,396	223	258	2,877
Employee benefits	3,608	198	465	4,271
Professional services	591	1,044	924	2,559
Advertising and promotion	42	171	412	625
Office expenses	658	303	155	1,116
Information technology	362	218	343	923
Occupancy	3,507	9	204	3,720
Travel	882	14	23	919
Conferences and training	163	12	17	192
Interest	255		109	364
Depreciation and amortization	5,900	88	498	6,486
Insurance	961	110	790	1,861
Dues and fees	398	24	93	515
Purchased services	1,576	775	10	2,361
Taxes	752	17	(429)	340
Grants	137		28	165
Program supplies	6,070	285	197	6,552
Other			308	308
<b>Total Operating Expenses</b>	<b>54,106</b>	<b>5,942</b>	<b>9,472</b>	<b>69,520</b>
Discontinued operations - CVM	4,063	892	94	5,049
Discontinued operations - IL	421	87	29	537
Discontinued operations - KFMK	679	74	632	1,385
Discontinued operations - SNF	1,805		(59)	1,746
Discontinued operations - SUA	170			170
<b>Total Discontinued Operations Expenses</b>	<b>7,138</b>	<b>1,053</b>	<b>696</b>	<b>8,887</b>
<b>Total Expenses</b>	<b>\$ 61,244</b>	<b>\$ 6,995</b>	<b>\$ 10,168</b>	<b>\$ 78,407</b>

Negative amounts result from the utilization of tax assets from a prior year.

See accompanying notes.

**CRISTA MINISTRIES**

**Consolidated Statement of Functional Expenses  
For the Years Ended June 30, 2020  
(In Thousands)**

	Program Services	Fundraising	Management and General	Total
Salaries	\$ 28,205	\$ 2,187	\$ 6,076	\$ 36,468
Payroll taxes	2,359	209	615	3,183
Employee benefits	5,537	306	843	6,686
Professional services	1,235	675	678	2,588
Advertising and promotion	228	379	980	1,587
Office expenses	876	288	322	1,486
Information technology	457	109	384	950
Occupancy	3,588	2	231	3,821
Travel	950	59	54	1,063
Conferences and training	325	14	113	452
Interest	266		66	332
Depreciation and amortization	5,934	108	445	6,487
Insurance	911	15	384	1,310
Dues and fees	440	7	40	487
Purchased services	1,863	87	3	1,953
Taxes	92		48	140
Grants	32		30	62
Program supplies	19,676	221	156	20,053
Development losses			774	774
Other			348	348
<b>Total Operating Expenses</b>	<b>72,974</b>	<b>4,666</b>	<b>12,590</b>	<b>90,230</b>
Discontinued operations - CVM	5,028	926	57	6,011
Discontinued operations - IL	1,240	270	157	1,667
Discontinued operations - KFMK	2,916	279	560	3,755
Discontinued operations - SNF	14,864	35	376	15,275
Discontinued operations - SUA	1,039	684	470	2,193
<b>Total Discontinued Operations Expenses</b>	<b>25,087</b>	<b>2,194</b>	<b>1,620</b>	<b>28,901</b>
<b>Total Expenses</b>	<b>\$ 98,061</b>	<b>\$ 6,860</b>	<b>\$ 14,210</b>	<b>\$ 119,131</b>

See accompanying notes.

**CRISTA MINISTRIES**

**Consolidated Statements of Cash Flows  
For the Years Ended June 30, 2021 and 2020  
(In Thousands)**

	2021	2020
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 1,154	\$ (10,963)
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Items considered financing activities:		
Capital campaign contributions		(76)
Perpetual endowment contributions	(54)	(144)
Noncash changes:		
Depreciation and amortization	6,486	6,764
Amortization of financing costs	14	22
Entry fees earned	(1,083)	(1,089)
Donated project supply inventory	(186)	
Donated program supplies in grant advances	186	
Net realized and unrealized gains on long-term investments and planned giving program	(8,621)	(591)
Loss on disposal of property	331	168
Change in allowance for development loans	113	444
Loss on pledges receivable	117	774
Transfer of endowment due to discontinued operations	6,525	254
Gain on sale of property - discontinued operations, net	(641)	
Depreciation and amortization - discontinued operations	205	149
Nonrefundable entry fees received	1,769	427
Changes in assets and liabilities:		
Grants receivable	(36)	(73)
Pledges receivable	222	912
Trade receivables	372	1,741
Prepaid expenses and other assets	457	(459)
Assets held by field operations	26	(55)
Deferred rent receivable	(47)	(52)
Assets held for sale		(94)
Accounts payable to CVM for discontinued operations	100	
Accounts payable and accrued expenses	(906)	(381)
Other long-term liabilities	278	640
Deferred revenue, deposits and deferred rent	109	(563)
Grant advances	(1,026)	2,044
Planned giving program obligations	(275)	(388)
Liabilities held by discontinued operations	(1,049)	1,198
<b>Net Cash Provided by Operating Activities</b>	<b>4,540</b>	<b>609</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of investments	(19,459)	(18,373)
Proceeds from sale of investments	22,441	8,622
Acquisition of property and equipment	(1,820)	(3,133)
Acquisition of property and equipment - discontinued operations		(135)
Proceeds from sale of property - discontinued operations	9,241	
Issuances of development loans	(6,400)	(5,858)
Repayments of development loans	6,302	5,757
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>10,305</b>	<b>(13,120)</b>

See accompanying notes.

CRISTA MINISTRIES

**Consolidated Statements of Cash Flows (Continued)**  
**For the Years Ended June 30, 2021 and 2020**  
(In Thousands)

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Financing Activities:</b>		
Principal payments on long-term obligations	(974)	(939)
Principal payments on long-term obligations for discontinued liabilities	(9)	(2,312)
Change in line of credit, net	(10,000)	10,000
Principal payment received on note receivable	77	74
Refundable entry fees received	479	70
Entry fee refunds paid	(748)	(714)
Proceeds from capital campaign contributions		76
Proceeds from perpetual endowment contributions	54	144
	<u>(11,121)</u>	<u>6,399</u>
<b>Net Cash (Used) Provided by Financing Activities</b>		
	<b>3,724</b>	<b>(6,112)</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	6,508	12,620
	<u>6,508</u>	<u>12,620</u>
<b>End of Year</b>	<b>\$ 10,232</b>	<b>\$ 6,508</b>
<b>Supplemental Cash Flow Disclosure:</b>		
Cash paid during the year for interest	\$ 339	\$ 374
Capital acquisitions included in accounts payable	\$ 92	\$ 232
Income taxes paid	\$ 279	\$ -
Discontinues operations cash flow-		
Operating activities	\$ 5,140	\$ 1,601
Investing activities	\$ 9,241	\$ (135)
Financing activities	\$ (9)	\$ (2,312)

See accompanying notes.

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 1 - Nature of Operations and Significant Accounting Policies

##### Business Purpose and Organization -

CRISTA Ministries, headquartered at 19303 Fremont Avenue North, Shoreline, Washington 98133-3800, is a Christian not-for-profit organization made up of six distinct ministries with one common purpose. CRISTA Ministries is a family of ministries empowered to serve the needs of the world with the Gospel of Jesus Christ.

CRISTA Ministries was founded in 1948 as King's Garden. Today, its six ministries serving locally and internationally are: CRISTA Senior Living, World Concern, King's Schools, CRISTA Media, CRISTA Camps, and a Chaplaincy Ministry.

World Concern Development Organization ("WCDO"), a separate not-for-profit organization, the non-ecclesiastical arm of World Concern, shares common facilities and management with World Concern, and is reported in these consolidated financial statements as part of World Concern. WCDO is responsible for administering governmental and other grants.

CRISTA Ministries Canada ("CRISTA Canada") is a not-for-profit organization incorporated under the Canada Corporation Act and registered as a Charitable Organization. CRISTA Canada has an agreement with CRISTA Media to provide programming designed to support individuals in their commitment to practice their Christian beliefs and live the Christian life. CRISTA Canada also has an agreement with World Concern and Christian Veterinary Mission to help provide for the spiritual and physical needs of families in the poorest countries of the world.

**Principles of Consolidation** - The consolidated financial statements include the accounts of CRISTA Ministries, WCDO, and CRISTA Canada (collectively, the "Organization"). All significant inter-organization transactions have been eliminated upon consolidation.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - Cash in excess of daily requirements is invested in interest-bearing instruments with maturities of three months or less. Such investments are considered to be cash equivalents, except for those included in the Organization's investment portfolio and subject to its investment policy.

**Cash Held by Field Operations** - Cash held by field operations represents cash forwarded to project field sites for use in carrying out ministry activities.

**Grants Receivable** - Unconditional grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants receivable. Grants receivable are due primarily from government agencies and implementing partner organizations and are deemed by management to be fully collectible. Therefore, an allowance for doubtful accounts was not recorded at June 30, 2021 and 2020.

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 1 - Continued

**Pledges Receivable** - Pledges receivable, unconditional promises to give, that are expected to be collected within one year are recorded at net realizable value. Management provides for probable uncollectible amounts through a charge to uncollectible pledge expense and a credit to a valuation allowance based on historical trends. The allowance for doubtful accounts was \$15,000 and \$19,000 at June 30, 2021 and 2020, respectively.

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. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

**Trade Receivables** - Trade receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to trade receivables. The allowance for doubtful accounts was \$560,000 and \$704,000 at June 30, 2021 and 2020, respectively.

**Note Receivable** - The note receivable consists of a note for the sale of the Crosspoint Academy building (Note 14). The note is recorded at its outstanding principal balance. Management considers the outstanding balance to be fully collectible and has, therefore, not recorded an allowance against the note.

**Donated Program Supply Inventory** - Donated program supply inventory consists of nutritional supplements provided by the U.S. Federal government for a program operated by the Organization in Somalia. Nutritional supplement not yet used or distributed under this program are recorded as inventory. The nutritional supplements are recorded at fair value on the date received and are evaluated for impairment and obsolescence (Note 11).

**Investments and Planned Giving Program Assets** - Investments and planned giving program assets consist primarily of marketable debt and equity securities, mutual funds, private equity, real estate investment trust, nonmarketable securities, and an interest in a perpetual trust. Investments in marketable securities, real estate investment trust, and the perpetual trust are stated at fair value. Investments in private equity are reported at their net asset value. Purchases and sales are recorded on a trade-date basis. Interest and dividends, recorded on the accrual basis, and gains and losses on investments are recognized in the consolidated statements of changes in net assets. Investment securities, in general, are exposed to various risks, including interest rate, credit and overall market volatility. It is reasonably probable that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets.

**Captive Insurance Company** - The Organization has contracted with a captive insurance company to insure against professional liability, property damage, and business income/extra expense, and to reinsure against a portion of its general liability, auto liability, and physical damage. The Organization owns a noncontrolling share of the common stock of the captive insurance company and is accounting for this investment at cost less impairment, plus or minus changes in fair value as a result of observable price changes that occur in orderly transactions for identical or similar investments of the same issuer, in accordance with U.S. GAAP. The value of this investment in the amount of \$366,000 at June 30, 2021 and 2020, is included in investments.

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 1 - Continued

**Property and Equipment Used in Ministries and Depreciation** - The Organization capitalizes assets with a cost greater than \$3,000 and an estimated useful life of three or more years for equipment and \$5,000 and an estimated useful life of five years for property and improvements, except for assets purchased for use in Senior Ministries, which capitalizes assets of \$750 or more to meet state Medicare guidelines. Certain technology items with a cost greater than \$750 and estimated life of three or more years are also capitalized. Purchased property is carried at cost. Donated property is recorded at fair value when received. Depreciation is computed using the straight-line method based on estimated useful lives as follows:

Buildings and improvements	5 - 50 years
Furniture and equipment	3 - 10 years
Vehicles	3 - 7 years

**Development Loans Receivable** - Development loans receivable represent loans outstanding under the Micro-enterprise Loan Program (MLP) in the country of Bangladesh.

The purpose of the MLP is to assist impoverished persons to become self-reliant, successful entrepreneurs. The MLP is administered in accordance with guidelines published by World Concern and is tailored to specific conditions of the host country. The majority of these loans mature in one to two years. Based on management's intent and ability to reinvest collected amounts in the MLP in those countries, the balance has been classified as a long-term receivable and included in assets held by field operations on the consolidated balance sheets (Note 10).

**Grant Advances** - Grant advances consist of funds and gifts-in-kind received from donors for conditional grants prior to the conditions being satisfied. The conditions are expected to be satisfied and grant revenue recognized within the following year.

**Radio Licenses** - The Organization has several radio licenses. In accordance with U.S. GAAP, radio licenses are considered indefinite-lived assets and are not amortized but are reviewed on an annual basis for possible impairment. Management determined there were no events or changes in circumstance indicating an impaired value of the radio licenses as of June 30, 2021 or 2020. Radio licenses obtained prior to June 30, 2012 are being amortized over an estimated useful life 40 years. Total accumulated amortization of such radio licenses was \$599,000 and \$592,000 as of June 30, 2021 and 2020, respectively. The radio licenses are fully amortized as of June 30, 2021. During the year ended June 30, 2020, the Organization committed to a plan to sell one of its radio licenses; therefore, the radio license was classified as an asset held for sale on the consolidated balance sheets as of June 30, 2020. The sale of the radio license was completed during the year ended June 30, 2021 (Note 2).

**Deferred Revenue** - Cash from certain fees for services is received prior to the Organization providing the intended program services. These revenues are deferred until the period in which the services are rendered.

**Long-Term Liabilities** - Long-term liabilities consist of liabilities due from the Organization more than a year from the balance sheet date. These liabilities include discontinued operations obligations including estimated future costs related to discontinued lines of business, deferred portion of employer social security, and worker's compensation (Note 15).

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 1 - Continued

**Financing Costs** - Financing costs are recorded as a deduction from the related debt liability on the consolidated balance sheets. Financing costs are amortized over the term of the applicable debt using the straight-line method. U.S. GAAP requires that the effective yield method be used to amortize finance costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization of financing costs is included as a component of interest expense on the consolidated statements of functional expenses.

**Entry Fees** - Entry fees represent advance payment for use of retirement facilities. Entry fees are subject to contractual refunds upon death or other termination of residency. The refunds on a majority of the contracts range from 0% to 80% of the entry fees paid, depending upon length of residency. Refundable entry fees are reported as a liability on the consolidated balance sheets. The nonrefundable portion of the entry fee is considered deferred revenue and is amortized to income based upon the life expectancy of the residents. Due to the discontinuation of the Organization's skilled nursing facility in August 2020, certain services previously provided in-house may need to be outsourced to fulfill the Organization's performance obligations to residents. The estimated amount, based on past experience of days of service, totaled approximately \$1,100,000 as of June 30, 2021, and has been reclassified from nonrefundable entry fees to accounts payable and accrued expenses on the consolidated balance sheets.

The present value of the net cost of future services to current residents is calculated annually to determine if an unfunded liability for those services should be recorded. A discount rate of 6% was used as of June 30, 2021 and 2020. No unfunded liability exists for obligations to provide future services as of June 30, 2021 and 2020.

**Discontinued Operations** - The Organization reports discontinued operations when a component or unit of the Organization has been formally approved for sale or disposed of by other than sale, and the change represents a strategic shift that will have a major effect on the Organization's operations and financial results. The Organization reported discontinued operations and assets and liabilities held for sale as of June 30, 2021 and 2020 (Note 2).

**Concentration of Credit Risk** - Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of receivables, cash and cash equivalents, investments, and development loans receivable (Note 10). As of June 30, 2021 and 2020, concentration of credit risk with respect to receivables is limited due to a large base of customers consisting of public and private companies representing a variety of industries, government agencies, and individuals in the Pacific Northwest. Cash and cash equivalents are held with banks located in and outside of the United States. As of June 30, 2021 and 2020, 22% and 34%, respectively, of cash and cash equivalents are held in banks outside of the United States. Investments are held with a variety of financial institutions. Cash, cash equivalents, and investment balances may at times exceed FDIC and SIPC insurance limits. Development loans receivable are due from a large number of loans granted under the Organization's MLP in Bangladesh.

**Basis of Presentation** - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions include all net assets on which there are no donor-imposed restrictions for use, or such donor-imposed restrictions that expired or were met during the current or previous years.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization, the passage of time, or must be maintained permanently by the Organization.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.



## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 1 - Continued

Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Contributions where restrictions are satisfied within the same year are reported as revenue without donor restrictions. Net assets released from restriction are primarily for the satisfaction of donor imposed program restrictions.

Contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, and equipment) are reported as net assets with donor restrictions. The Organization reflects the expiration of the donor-imposed restriction as a reclassification included in contributions released from restrictions when the asset is placed into service.

**Operating Activities** - The Organization considers all activities as operating except for discontinued operations gains and losses.

**Foreign Currency Translation** - The functional currency of CRISTA Canada is the Canadian dollar and World Concern's field offices is the local currency in which the office is located. Assets and liabilities of the offices have been translated into U.S. dollars at year end exchange rates. Revenues and expenses have been translated at average monthly exchange rates. Translation adjustments are included in the consolidated statements of changes in net assets without donor restrictions.

**Fees for Services Revenue Recognition** - Fees for services revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. These amounts are due from residents, third-party payors and others purchasing the Organization's services.

Senior Living - Senior Living recognizes revenue based on the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. Revenues from health related services are reflected at estimated net realizable amounts from patients and third-party payors, which includes the Medicaid and Medicare programs. Generally, the Organization bills patients and third-party payors the month after the services are performed. Revenue is recognized as performance obligations are satisfied. Laws and regulations governing the Medicaid and Medicare programs are extremely complex and subject to interpretation. As a result, there is a possibility that recorded estimates may change. Residents are charged resident stay fees in advance, typically the 15<sup>th</sup> day of the prior month, and revenue is recognized during the month in which the residence is occupied. Revenue for ancillary services is also billed in advance based on the prior month's actual charges, and revenue is recognized the following month as actual charges are incurred and the Organization has satisfied its performance obligations. Residents may vacate their unit or the Organization can modify the monthly residence charge; therefore, the residence agreements are considered month-to-month contracts.

King's Schools - Tuition revenue is recognized ratably over the applicable academic year in which the related education instruction is provided. Full annual tuition is billed in advance of the academic year and is due prior to the first day of classes. The tuition contract is cancellable upon written notice and confirmation by the Organization until July 1 each year. A minimum charge of 10% of the annual tuition is due for enrollment cancellations received thereafter until the first day of the school year. Once the school year commences, tuition is pro-rated by nine-week quarters for withdrawals and late enrollments. Withdrawal or enrollment during a quarter require payment of tuition for the full quarter. Tuition and fees received for the next academic year are reported as unearned revenue of the consolidated balances sheets until the academic year commences.

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 1 - Continued

Media - Revenue from media placements with the Organization's radio stations is recognized when the spot is aired. Media fees are billed monthly based on the amount of air-time consumed. Customers generally enter into contracts to purchase several media placements; however, the contracts are cancellable with 30 days' notification.

Camps - Revenue from camp fees is recognized in the month in which the camp or conference commences. The Organization charges campers and other customers using the facilities a deposit at the time a contract is signed, and deposits are recorded as deferred revenue until the event occurs and revenue is recognized. Contracts may be cancelled for a full refund at any time due to COVID-19.

CVM - Revenue from training, educational materials and rentals is recognized when the training occurs or at the point of sale.

Other Program Revenue - Other program revenue consists primarily of interest earned on the Micro-enterprise Loan Program. Interest is recognized each month based on the applicable interest rates on the loans.

#### Grants, Contributions and Gifts-in-Kind Revenue Recognition -

Grants and Contributions - Revenue from grants and contributions is recognized when the donor-imposed conditions, if any, have been met. Conditional grants are not recognized as revenues until the conditions on which they depend have been met. U.S. Federal government grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Payments received prior to the conditions being met are recorded as grant advances on the consolidated balance sheets. Conditional grants committed but outstanding totaled approximately \$5,323,000 and \$8,677,000 as of June 30, 2021 and 2020, respectively, and are expected to be recognized as revenue during the next three years.

Gifts-in-Kind - Nonfinancial gifts of medicine, nutrition supplements, clothing, agricultural supplies, medical supplies, and other commodities are donated to the Organization for distribution or use in overseas development projects or for internal use. Such gifts are recorded, at estimated fair value on the date received, except for food commodities (Note 11). Food commodities, consisting of nutrition supplements, are received from the U.S. Federal government and are considered conditional grants. Therefore, revenue for the nutrition supplements is recognized when the goods are distributed or used by the Organization.

**Methods Used for Allocation of Expenses Among Programs** - The consolidated financial statements report certain categories of expenses that are attributable to program or supporting services of the Organization. Those expenses include the Executive Office, ministry management departments, the legal department, the information technology department, the security department, the facilities department, the housekeeping department and the grounds department. The Executive Office, ministry management department and legal department expenses are allocated based on level of effort. Information technology costs are allocated based on workorders and network accounts. Facility expenses are allocated based upon workorders. Security, housekeeping and ground expenses are allocated based upon square footage.

**Income Taxes** - The Internal Revenue Service (IRS) has determined that CRISTA and WCDO are exempt from federal income taxes under Sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code, with the exception of certain activities that result in unrelated business income which are taxable.

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 1 - Continued

CRISTA Canada is registered as a Charitable Organization under tax laws established by the Canada Revenue Agency. It had no taxable income for the years ended June 30, 2021 and 2020.

**Adoption of New Accounting Standards** - During the year ended June 30, 2021, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contracts with Customers* (Topic 606) and other related ASUs. These ASUs replaced the existing revenue recognition guidance in U.S. GAAP and require entities to recognize revenues when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization elected to adopt the changes from these ASUs using the full retrospective method. The adoption of these ASUs did not affect the timing of the Organization's revenue recognition or amounts reported as receivables or liabilities for contract assets and liabilities; however, information on the Organization's revenue from contracts with customers by major source has been provided (Note 3).

During the year ended June 30, 2020, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08 - *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update was issued to clarify and improve the scope and accounting guidance for contributions received and contributions made. The update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The Organization elected to adopt the changes from this ASU prospectively starting in year ended June 30, 2020. The primary effect of adoption of this ASU for the Organization is that certain contributions received that were previously treated as unconditional are now treated as conditional. As a result, revenue for these contributions are recognized when the conditions are met during the grant term, whereas previously revenue had been recognized when the contributions were awarded. The effect of this change was a decrease of approximately \$2,043,000 to donor-restricted contribution revenue and change in net assets for the year ended June 30, 2020.

**Reclassifications** - Certain reclassifications were made to the 2020 financial statements to conform to the 2021 presentation. The reclassifications have no effect on the previously reported total assets, liabilities, net assets and change in net assets except for adjustment made for discontinued operations and assets held for sale (Note 2).

#### Note 2 - Discontinued Operations and Assets Held for Sale

During the year ended June 30, 2021, the Organization made the decision to discontinue its Christian Veterinary Ministry (CVM) operations. The assets held by CVM will be transferred to a newly formed independent not-for-profit organization that will continue CVM's charitable work. The tables that follow include the CVM balances for both fiscal years 2021 and 2020. Subsequent to June 30, 2021, cash and investments totaling approximately \$6,525,000 were transferred to the new independent entity. The Organization also made a gift of \$100,000 to the new independent entity. The liability totaling \$6,625,000 is included in accounts payable and accrued expenses on the consolidated balance sheets.

During the year ended June 30, 2021, the Organization made the decision to discontinue its Island Lake Camp (ILC) operations and committed to selling the ILC building, property, and assets. The real and personal properties are reported at the lower of their carrying or fair values and are classified as assets held for sale on the consolidated balance sheets as of June 30, 2021. The tables that follow include the ISL balances for both fiscal years 2021 and 2020. The sale of the real and personal properties closed on October 28, 2021 and resulted in a gain on sale of \$4,365,000.

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

#### Note 2 - Continued

During the year ended June 30, 2020, the Organization made the decision to discontinue its skilled nursing facility (SNF) operations that were part of CRISTA's Senior Living ministry. The operations will not be transitioned or sold to another entity. The real property and facilities used for SNF will be retained and repurposed by the Organization. Debt associated with SNF will be retained by the Organization, and no modifications to the debt are expected to be made. SNF operations were essentially discontinued by June 30, 2020, and were fully terminated by August 2020.

During the year ended June 30, 2020, the Organization made the decision to discontinue its Seattle Urban Academy (SUA) ministry and broadcasting in the Austin, Texas markets (KFMK). The Organization committed to plans to sell the building that housed SUA and to sell the KFMK radio license. Both the real and intangible properties were reported at the lower of their carrying or fair values, classified as assets held for sale on the consolidated balance sheets as of June 30, 2020. Both sales were completed during the year ended June 30, 2021 resulting in a gain of \$1,127,000.

A reconciliation of the carrying amounts of the major classes of assets and liabilities that are classified as discontinued operations and held for sale on the consolidated balance sheets consists of the following as of June 30, 2021:

	(In Thousands)					
	KFMK	SNF	SUA	ILC	CVM	Total 2021
<b>Assets Held by Discontinued Operations:</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 1,200	\$ 1,200
Noncurrent assets held for sale-						
Property held for sale				1,500		1,500
Investments			320		5,325	5,645
<b>Total Assets Held by Discontinued Operations</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 320</b>	<b>\$ 1,500</b>	<b>\$ 6,525</b>	<b>\$ 8,345</b>
<b>Liabilities Held by Discontinued Operations:</b>						
Accounts payable and accrued expenses	\$ -	\$ -	\$ 346	\$ -	\$ 3	\$ 349
Liability for net assets to be transferred to new entity-					6,525	6,525
Deferred revenue					51	51
Current portion of long-term liabilities		9				9
Total current liabilities held in discontinued operations		9	346		6,579	6,934
<b>Noncurrent Liabilities Held by Discontinued Operations:</b>						
Long-term liabilities, net		33				33
<b>Total Liabilities Held by Discontinued Operations</b>	<b>\$ -</b>	<b>\$ 42</b>	<b>\$ 346</b>	<b>\$ -</b>	<b>\$ 6,579</b>	<b>\$ 6,967</b>

**CRISTA MINISTRIES**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2021 and 2020**

**Note 2 - Continued**

A reconciliation of the major classes of revenue and expenses that are classified as discontinued on the consolidated statement of activities and changes in net assets without donor restrictions consists of the following for the year ended June 30, 2021:

	(In Thousands)					
	KFMK	SNF	SUA	ILC	CVM	Total 2021
<b>Revenues:</b>						
Fees for service	\$ 612	\$ 324	\$ -	\$ 83	\$ 41	\$ 1,060
Contributions	128	10		140	5,416	5,694
Gifts-in-kind					114	114
Government grants		254				254
Gain (loss) on disposal	1,127		(907)			220
Miscellaneous income		6		61	744	811
<b>Total Revenues</b>	<b>1,867</b>	<b>594</b>	<b>(907)</b>	<b>284</b>	<b>6,315</b>	<b>8,153</b>
<b>Expenses:</b>						
Program	679	1,805	170	421	4,063	7,138
Fundraising	74			87	892	1,053
Management and general	632	(59)		29	94	696
<b>Total Expenses</b>	<b>1,385</b>	<b>1,746</b>	<b>170</b>	<b>537</b>	<b>5,049</b>	<b>8,887</b>
<b>Change in Net Assets From Discontinued Operations</b>	<b>\$ 482</b>	<b>\$ (1,152)</b>	<b>\$ (1,077)</b>	<b>\$ (253)</b>	<b>\$ 1,266</b>	<b>\$ (734)</b>

**CRISTA MINISTRIES**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2021 and 2020**

**Note 2 - Continued**

A reconciliation of the carrying amounts of the major classes of assets and liabilities that are classified as discontinued operations and held for sale on the consolidated balance sheets consists of the following as of June 30, 2020:

	(In Thousands)					
	KFMK	SNF	SUA	ILC	CVM	Total 2020
<b>Assets Held by Discontinued Operations:</b>						
Cash	\$ -	\$ -	\$ -	\$ -	\$ 1,072	\$ 1,072
Noncurrent assets held for sale-						
Property held for sale	139		3,734	1,632		5,505
Radio license held for sale	4,800					4,800
	4,939		3,734	1,632		10,305
Investments			254		4,616	4,870
<b>Total Assets Held by Discontinued Operations</b>	<b>\$ 4,939</b>	<b>\$ -</b>	<b>\$ 3,988</b>	<b>\$ 1,632</b>	<b>\$ 5,688</b>	<b>\$ 16,247</b>
<b>Liabilities Held by Discontinued Operations:</b>						
Accounts payable and accrued expenses	\$ 581	\$ 561	\$ 254	\$ -	\$ -	\$ 1,396
Deferred revenue					48	48
Current portion of long-term liabilities		9				9
Total current liabilities held in discontinued operations	581	570	254		48	1,453
<b>Noncurrent Liabilities Held by Discontinued Operations:</b>						
Long-term liabilities, net		47				47
<b>Total Liabilities Held by Discontinued Operations</b>	<b>\$ 581</b>	<b>\$ 617</b>	<b>\$ 254</b>	<b>\$ -</b>	<b>\$ 48</b>	<b>\$ 1,500</b>

A reconciliation of the major classes of revenue and expense that are classified as discontinued on the consolidated statement of activities and changes in net assets without donor restrictions consists of the following for the year ended June 30, 2020:

	(In Thousands)					
	KFMK	SNF	SUA	ILC	CVM	Total 2020
<b>Revenues:</b>						
Fees for service	\$ 2,041	\$ 11,430	\$ 21	\$ 1,214	\$ 55	\$ 14,761
Contributions	868	59	1,999	115	6,220	9,261
Gifts-in-kind	3		32	2	44	81
Government grants		767				767
Miscellaneous income (loss)	8	(70)		23	35	(4)
<b>Total Revenues</b>	<b>2,920</b>	<b>12,186</b>	<b>2,052</b>	<b>1,354</b>	<b>6,354</b>	<b>24,866</b>
<b>Expenses:</b>						
Program	2,916	14,864	1,039	1,240	5,028	25,087
Fundraising	279	35	684	270	926	2,194
Management and general	560	376	470	157	57	1,620
<b>Total Expenses</b>	<b>3,755</b>	<b>15,275</b>	<b>2,193</b>	<b>1,667</b>	<b>6,011</b>	<b>28,901</b>
Loss from discontinued operations	(835)	(3,089)	(141)	(313)	343	(4,035)
Income tax benefit	448					448
<b>Change in Net Assets From Discontinued Operations</b>	<b>\$ (387)</b>	<b>\$ (3,089)</b>	<b>\$ (141)</b>	<b>\$ (313)</b>	<b>\$ 343</b>	<b>\$ (3,587)</b>

**CRISTA MINISTRIES**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2021 and 2020**

**Note 3 - Revenues From Contracts With Customers and Accounts Receivable**

Revenues from contracts with customers were from recognized as follows for the years ended June 30:

	2021		2020	
	Amount	Percent of Service Revenue	Amount	Percent of Service Revenue
Goods and services transferred at a point in time	\$ 30,003	66%	\$ 33,014	66%
Services transferred over time	15,762	34%	17,188	34%
<b>Total Fees for Service Revenue</b>	<b>\$ 45,765</b>	<b>100%</b>	<b>\$ 50,202</b>	<b>100%</b>

Goods and services transferred over time consist of amortization of entrance fees and school tuition.

Major components of accounts receivable include third-party payer reimbursement receivable, including Medicare and Medicaid, private pay, and receivables from other ministry revenue.

	(In Thousands)	
	2021	2020
Trade receivables from contracts with customers-		
Third-party payer reimbursements receivable	\$ 514	\$ 1,267
Private pay by customers	1,781	1,645
	2,295	2,912
Allowance for doubtful accounts	(560)	(704)
Trade receivables from contracts with customers, net	1,735	2,208
Trade receivables from other revenues	514	413
<b>Trade Receivables, Net</b>	<b>\$ 2,249</b>	<b>\$ 2,621</b>

For the years ended June 30, 2021 and 2020, the Organization's policy for assessing the timing and amount of uncollectible accounts receivable is first by specific identification of uncollectible accounts, followed by a general allowance based on the age of the remaining accounts receivable.

	(In Thousands)	
	2021	2020
Beginning balance of allowance for doubtful accounts	\$ 704	\$ 575
Balances written off	(188)	(500)
Provision for bad debt	44	629
<b>Ending Balance of Allowance for Doubtful Accounts</b>	<b>\$ 560</b>	<b>\$ 704</b>

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 4 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30:

	(In Thousands)	
	2021	2020
Cash	\$ 1,347	\$ 1,191
Money market, CDs and other	7,685	4,245
Cash held by discontinued operations	1,200	1,072
<b>Total Cash and Cash Equivalents</b>	<b>\$ 10,232</b>	<b>\$ 6,508</b>

Cash and cash equivalents include approximately \$2,218,000 and \$2,215,000 as of June 30, 2021 and 2020, respectively, of funds on deposit in banks in foreign countries.

#### Note 5 - Pledges Receivable

Pledges receivable are due as follows as of June 30:

	(In Thousands)	
	2021	2020
Pledges due in less than one year	\$ 112	\$ 424
Pledges due in one to five years		30
	112	454
Less allowance for uncollectible pledges	(15)	(19)
<b>Pledges Receivable, Net</b>	<b>\$ 97</b>	<b>\$ 435</b>

All pledges are expected to be received within one year as of June 30, 2021; therefore, a present value discount was not recorded. A present value discount was immaterial as of June 30, 2020.

Pledges receivable are presented on the consolidated balance sheets as follows as of June 30:

	(In Thousands)	
	2021	2020
Pledges receivable, current portion	\$ 97	\$ 424
Long-term pledges receivable, net		11
<b>Pledges Receivable, Net</b>	<b>\$ 97</b>	<b>\$ 435</b>

Pledges receivable to be used for investment in long-term assets, such as buildings, property and equipment, are presented on the consolidated balance sheets as noncurrent regardless of when they are expected to be paid.



## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

#### Note 6 - Investments and Planned Giving Program Assets

Investments and planned giving program assets consist of the following as of June 30:

	(In Thousands)	
	2021	2020
Investments-		
Cash and cash equivalents (at cost)	\$ 766	\$ 10,809
Marketable equity securities	28,746	15,100
Marketable debt securities	13,793	14,697
Alternative strategies	2,496	1,764
Private equities	6,916	4,960
Nonmarketable equity securities (at cost)	366	366
	53,083	47,696
Planned giving program assets-		
Cash and cash equivalents (at cost)	22	640
Marketable equity securities	1,645	1,206
Marketable debt securities	517	565
Beneficial interest in perpetual trust held by third party	2,244	1,765
	4,428	4,176
<b>Total Investments and Planned Giving Program Assets</b>	<b>\$ 57,511</b>	<b>\$ 51,872</b>

Investments are classified on the consolidated balance sheets as the following as of June 30:

	(In Thousands)	
	2021	2020
Short-term investments	\$ 692	\$ 737
Long-term investments	52,391	46,959
<b>Total Investments</b>	<b>\$ 53,083</b>	<b>\$ 47,696</b>

#### Note 7 - Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 - Unadjusted quoted prices available in active markets for identical assets or liabilities;

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 7 - Continued

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 - Unobservable inputs that are significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. These financial instruments were valued using a market approach.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Mutual Funds and Alternative Funds - Valued at quoted market prices in active markets.

Corporate/Municipal/Education Bonds - Valued using bid valuations from similar instruments in actively traded markets.

Perpetual Trust - Valued at the Organization's share of the trust's assets, which are reported at fair value.

Private Equity - Valued at net asset value (NAV) per share, or its equivalent, as a practical expedient, as reported by the general partner or investment manager unless specific evidence indicated the NAV should be adjusted. In accordance with U.S. GAAP, certain investments that were measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented are intended to permit reconciliation of the fair value hierarchy to the line items presented in the balance sheets.

A reconciliation of the investments and planned giving assets measured at fair value on a recurring basis to total investments is as follows as of June 30:

	(In Thousands)	
	2021	2020
Assets recorded at fair value on a recurring basis	\$ 56,357	\$ 40,057
Assets recorded at cost	1,154	11,815
<b>Total Investments and Planned Giving</b>	<b>\$ 57,511</b>	<b>\$ 51,872</b>

CRISTA MINISTRIES

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2021 and 2020

Note 7 - Continued

Assets recorded at fair value on a recurring basis were as follows as of June 30, 2021:

	(In Thousands)			Total
	Level 1	Level 2	Level 3	
Equity mutual funds-				
U.S. large cap	\$ 18,538	\$ -	\$ -	\$ 18,538
U.S. mid cap	1,312			1,312
International	10,541			10,541
Fixed income mutual funds-				
U.S. fixed income	12,108			12,108
Total mutual funds	42,499			42,499
Alternative funds-				
Hedge	444			444
Real estate	1,157			1,157
Commodities	895			895
Total alternative funds	2,496			2,496
Corporate bonds		2,142		2,142
Municipal and education bonds	60			60
Perpetual trust held by third party			2,244	2,244
<b>Total Investments in the Fair Value Hierarchy</b>	<b>\$ 45,055</b>	<b>\$ 2,142</b>	<b>\$ 2,244</b>	49,441
Private equity investments measured at NAV				6,916
<b>Investments at Fair Value</b>				<b>\$ 56,357</b>

CRISTA MINISTRIES

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2021 and 2020

Note 7 - Continued

Assets recorded at fair value on a recurring basis were as follows as of June 30, 2020:

	(In Thousands)			
	Level 1	Level 2	Level 3	Total
Equity mutual funds-				
U.S. large cap	\$ 8,337	\$ -	\$ -	\$ 8,337
U.S. mid cap	1,356			1,356
U.S. small cap	6,613			6,613
Fixed income mutual funds-				
U.S. fixed income	13,130			13,130
Total mutual funds	29,436			29,436
Alternative funds-				
Hedge	543			543
Real estate	467			467
Commodities	754			754
Total alternative funds	1,764			1,764
Corporate bonds		2,088		2,088
Municipal and education bonds	44			44
Perpetual trust held by third party			1,765	1,765
<b>Total Investments in the Fair Value Hierarchy</b>	<b>\$ 31,244</b>	<b>\$ 2,088</b>	<b>\$ 1,765</b>	35,097
Private equity investments measured at NAV				4,960
<b>Investments at Fair Value</b>				<b>\$ 40,057</b>

**CRISTA MINISTRIES**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2021 and 2020**

**Note 7 - Continued**

The following table lists investments in private equity for which fair value is measured using the NAV per share practical expedient, summarizes significant terms of the agreements with certain investment companies, and discloses unfunded investment commitments as of June 30:

Strategy	(In Thousands)		Redemption Frequency	Redemption Notice Period	Other Restrictions
	Fair Value June 30, 2021	Unfunded Commitments			
Private equity- Limited partnerships and limited liability company	\$ 6,916	\$ 1,569	Not currently redeemable.	Not currently redeemable.	Not currently redeemable.

Strategy	(In Thousands)		Redemption Frequency	Redemption Notice Period	Other Restrictions
	Fair Value June 30, 2020	Unfunded Commitments			
Private equity- Limited partnerships and limited liability company	\$ 4,960	\$ 2,474	Not currently redeemable.	Not currently redeemable.	Not currently redeemable.

Private equity investment consists of limited partnerships and a limited liability company with diversified strategies that invest in domestic and global securities and are available to institutional investors.

The perpetual trust held by a third party represents the Organization's interest in trust assets (Note 9). Annual distributions are made from the trust by the trustees; therefore, no redemption terms or restrictions apply.

A reconciliation of the beginning and ending balance of the perpetual trust, measured using significant unobservable inputs (Level 3) follows:

	(In Thousands)	
	2021	2020
Balance, beginning of year	\$ 1,765	\$ 1,665
Total realized and unrealized gains	479	100
<b>Balance, End of Year</b>	<b>\$ 2,244</b>	<b>\$ 1,765</b>

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

#### Note 8 - Property and Equipment Used in Ministries

Property and equipment used in ministries consist of the following as of June 30:

	(In Thousands)	
	2021	2020
Land	\$ 5,854	\$ 5,884
Buildings and improvements	126,818	128,122
Furniture, equipment and other	16,041	16,866
Construction in progress	515	473
Total depreciable property and equipment before depreciation	149,228	151,345
Less accumulated depreciation	(92,344)	(89,378)
<b>Property and Equipment, Net</b>	<b>\$ 56,884</b>	<b>\$ 61,967</b>

#### Note 9 - Planned Giving Program

**Irrevocable Trusts** - The Organization is a beneficiary of irrevocable unitrusts and testamentary trusts administered by the Organization. The trusts provide for annual distributions of 6% to 7% of the value of trust assets to be paid to the trust grantors. The trusts all terminate upon the death of the various grantors, at which time the remaining assets will be distributed to the Organization and other beneficiaries. The trust assets are valued at fair value and totaled \$194,000 and \$745,000 at June 30, 2021 and 2020, respectively. The trust liabilities are valued at the present value of the estimated future distributions to be paid to the trust grantors discounted at rates of 6% to 7% and totaled \$155,000 and \$368,000 and at June 30, 2021 and 2020, respectively.

When trusts are initially established the Organization records contribution revenue with donor restrictions equal to the value of trust assets received less the trust liability. The Organization recorded gains of \$17,000 and \$7,000 during the years ended June 30, 2021 and 2020, respectively, related to the change in trust assets and liabilities. This gain is included in the donor restricted net realized and unrealized gains or losses on investments on the consolidated statements of changes in net assets. There were no contributions to irrevocable trusts during the years ended June 30, 2021 and 2020. One trust matured during the year ended June 30, 2020, and the residual trust assets were transferred by the Organization during the year ended June 30, 2021 and are reflected in its general investment balances.

**Annuities** - The Organization administers gift annuities for which it is obligated to make periodic distributions to designated beneficiaries. When contributed assets are initially received, the assets are recorded at fair value as general assets of the Organization, and donor-restricted contribution revenue is recorded equal to the value of contributed assets received less the annuity liability. The fair value of annuity assets totaled \$1,977,000 and \$1,651,000 as of June 30, 2021 and 2020, respectively. The present values of the payments due to the beneficiaries are recorded as liabilities and totaled \$1,347,000 and \$1,409,000 as of June 30, 2021 and 2020, respectively. Net present values are calculated based on the expected lives of the beneficiaries and using the applicable federal discount rate at the date of the gift. The annuity liability is revalued annually based upon actuarially computed present values. The segregated funds the Organization maintains exceed the actuarial value of the annuity liability by at least 10% as required by Washington state law. In compliance with Washington state law requirements the Organization has included the consolidating balance sheet as supplementary information on pages 40 and 41.

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 9 - Continued

**Gift Loan Agreements** - Gift loan agreements represent demand notes with interest rates of 5% that become contributions to the Organization upon the death of the note holder. Gift loan agreement liabilities totaled \$15,000 at both June 30, 2021 and 2020, respectively, and the Organization has set aside sufficient assets to cover these liabilities.

**Perpetual Trust** - The Organization is named as one of several beneficiaries of a perpetual trust. Under the terms of the trust, an independent trustee will make annual distributions, in perpetuity, to the Organization based upon the Organization's 3% percent share of the trust assets' fair value. That share totaled \$2,244,000 and \$1,765,000 at June 30, 2021 and 2020, respectively, and is included in net assets with donor restrictions. The Organization received distributions totaling \$84,000 and \$81,000 for the years ended June 30, 2021 and 2020, respectively. The distributions are available for general operations. Changes in the value of the underlying assets of \$479,000 and \$100,000 for the years ended June 30, 2021 and 2020, respectively, have been recorded in the accompanying consolidated statements of changes in net assets with donor restrictions as net realized and unrealized gains on investments.

Planned giving program assets were as follows as of June 30:

	(In Thousands)	
	2021	2020
Irrevocable trusts	\$ 194	\$ 745
Annuities	1,977	1,651
Gift loan agreements	13	15
Perpetual trust	2,244	1,765
<b>Total Planned Giving Assets</b>	<b>\$ 4,428</b>	<b>\$ 4,176</b>

Planned giving program liabilities were as follows as of June 30:

	(In Thousands)	
	2021	2020
Irrevocable trusts	\$ 155	\$ 368
Annuities	1,349	1,409
Gift loan agreements	13	15
<b>Total Planned Giving Liabilities</b>	<b>\$ 1,517</b>	<b>\$ 1,792</b>

#### Note 10 - Development Loans Receivable

The Organization makes loans under the Micro-enterprise Loan Program (MLP) to assist impoverished persons to become self-reliant, successful entrepreneurs in the country of Bangladesh. The loans are funded by restricted contributions, and amounts collected on these loans are reinvested in the MLP to fund future loans. The MLP balance is included in the consolidated balance sheets as a part of assets held by field operations.

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

#### Note 10 - Continued

Development loans receivable and the allowance for doubtful accounts were as follows as of June 30:

	(In Thousands)	
	2021	2020
Receivables from individuals in Bangladesh	\$ 4,511	\$ 4,414
Less allowance for doubtful accounts-		
Beginning balance	(807)	(381)
Provision for loan losses	(134)	(426)
Loans written off	22	
Allowance balance	(919)	(807)
<b>Microloans Receivable, Net</b>	<b>\$ 3,592</b>	<b>\$ 3,607</b>

The following amounts were past due under the MLP as of June 30:

	(In Thousands)	
	2021	2020
Less than one year	\$ 375	\$ 181
One to five years	522	222
<b>Total Loans Past Due</b>	<b>\$ 897</b>	<b>\$ 403</b>

The average loan size was \$194 and \$296 at June 30, 2021 and 2020, respectively. Maturities on the loans range from two months to two years, and interest rates range from 13.4% to 26.9%. Allowances for doubtful accounts are established based on prior collection experience, current economic factors and management's review of individual account balances. Loans under the MLP are written off only when they are deemed to be permanently uncollectible, and interest continues to accrue until the loan balances are paid in full. Assessed impairment of certain loans is included in the allowance for doubtful accounts.

The Organization is subject to certain business risks that could affect net assets. These risks include the geographic concentration in Bangladesh, a developing country, which represents 100% of the total development loans receivable at June 30, 2021 and 2020.

The Organization holds approximately \$1,710,000 and \$1,872,000 in deposits against the loans from the individuals in the MLP at June 30, 2021 and 2020, respectively. These are returned to the individuals when the loans are repaid, but they are also used to offset losses if the individuals default on their loans. The deposits are reflected as liabilities in the consolidated balance sheets as a part of payables held by field operations.



## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 10 - Continued

A summary of assets held by field operations is as follows for the years ended June 30:

	(In Thousands)	
	2021	2020
Microloans receivable, net	\$ 3,592	\$ 3,607
Other overseas assets	169	195
<b>Assets Held by Field Operations</b>	<b>\$ 3,761</b>	<b>\$ 3,802</b>

#### Note 11 - Gifts-in-Kind

The Organization receives contributions of clothing, health supplies, and other commodities for use in its various programs and medicines at significantly below fair value. Such gifts are recorded as donated project supply inventory and revenue at the time received and as a reduction of donated project supply inventory and as a program services expense when the distributing agency has received the goods.

Gifts-in-kind (GIK) are recorded in accordance with U.S. GAAP and in consideration of Accord GIK Interagency Standards. Gifts that can be used in the United States are recorded at their fair value based on product like-kind analysis and an average of current estimated wholesale prices as available. Donated nutrition supplements are valued based on published market prices established by the donor. The nutrition supplements are used by the Organization in a program in Somalia.

The fair values of supplies and clothes are based on estimated retail values on the date received. The fair value of marketing is based on published retail prices for the Pacific Northwest region on the date received.

The Organization obtains deworming medicine that is distributed to children and adults in Haiti and several countries in Africa and Asia. The Organization purchases this deworming medicine and records such purchases at cost and books any difference between cost and fair value as a contribution, where fees paid are significantly below fair values, per applicable accounting standards.

The deworming medication is restricted to use outside the United States and is used in international health services and natural disaster services. In valuing the deworming medication not legally permissible for sale in the United States, and primarily consumed in developing markets, the Organization obtains market data from third-party sources representing wholesale exit prices in the developing markets in which the deworming medication is approved for sale, that is, the principal markets. The valuation per unit for each type of medicine obtained is based on the average price over the most recent four quarters in representative developing markets population. Such industry standards are subject to review and adjustment; therefore, estimates of the fair value of donated medicines may vary in the future.

The Organization only records the value of GIK for which the Organization was the original recipient of the gift, was the end use agency, was involved in partnership with another organization for distribution internationally or used the GIK in its own programs. GIK is not monetized.

**CRISTA MINISTRIES**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2021 and 2020**

**Note 11 - Continued**

A summary of GIK revenue is as follows for the years ended June 30:

	(In Thousands)	
	2021	2020
Medicines and medical supplies	\$ 178	\$ 12,375
Other supplies	14	156
Advertising	195	109
Nutrition supplies from U.S. Federal government	34	
Clothing		50
<b>Total Gifts-in-Kind Revenue</b>	<b>\$ 421</b>	<b>\$ 12,690</b>

For the years ended June 30, 2021 and 2020, the Organization distributed approximately 2 thousand and 10.7 million deworming pills, respectively, to children and adults in several countries, including Haiti, Somalia, Bangladesh, Kenya, South Sudan, Burundi, Zambia, and Dominican Republic. For the year ended June 30, 2021, 90% of the GIK was received from three donors. For the year ended June 30, 2020, 97% of GIK was received from one donor.

**Note 12 - Long-Term Debt**

Long-term debt consisted of the following as of June 30:

	(In Thousands)	
	2021	2020
Tax exempt private placement bonds reissued in October 2015 to refinance prior bonds issued in December 2010, and provide for refurbishment of senior living facilities. Monthly principal payments totaling \$79,600 to \$97,500 are due through January 1, 2026.	\$ 4,858	\$ 5,833
Tax exempt private placement bonds issued in October 2015 to provide for refurbishment of senior living facilities. Interest payments are due in monthly installments through October 1, 2030. Monthly principal payments totaling \$48,200 to \$59,300 begin February 1, 2026 through October 1, 2030.	3,000	3,000
Less unamortized financing costs	7,858 (126)	8,833 (141)
Long-term debt, net	7,732	8,692
Less current portion	(1,011)	(974)
<b>Total Long-Term Debt</b>	<b>\$ 6,721</b>	<b>\$ 7,718</b>

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 12 - Continued

Interest expense was \$364,000 and \$374,000 for the years ended June 30, 2021 and 2020.

In October 2015, the Organization issued through the Washington State Housing Finance Commission (WSHFC) tax exempt Series 2015 bonds in the amount of \$3,000,000. The Organization also reissued, through the WSHFC, tax exempt Series 2010 bonds in the amount of \$9,999,000 to refinance prior bonds originally issued in December 2010. The tax exempt bonds are secured by land, buildings, and equipment with aggregate net book values of \$11,725,000 and \$12,493,000, at June 30, 2021 and 2020, respectively and which were appraised at \$24.4 million as of July, 2020.

The Organization amended its Financing Agreements with the fiscal agent for both the Series 2010 and Series 2015 bonds on October 1, 2020 to modify the fixed interest rates in accordance with the bond notes. The Series 2010 bonds bear interest at 2.86% per annum as of October 23, 2020 and 2.61% per annum as of June 30, 2021. The Series 2015 bonds bear interest at 3.24% and 2.99% per annum as of June 30, 2020. The maturity dates for the Series 2010 and 2015 bonds was not modified.

The Series 2010 and 2015 bonds contain restrictive covenants that require the achievement of certain financial ratios. Organization was in compliance with all restrictive financial covenants as of June 30, 2021. The Organization did not meet the required minimum debt service coverage ratio requirement as defined in the Credit Agreement during fiscal year 2020. The Organization received a waiver letter from the lender waiving this noncompliance. The lender provided modified debt covenants for December 2020 in the same waiver letter.

Principal maturities on long-term obligations are as follows:

For the Year Ending June 30,	(In Thousands)
2021	\$ 1,011
2022	1,046
2023	1,085
2024	1,126
2025	919
Thereafter	<u>2,671</u>
Total principal maturities	7,858
Less unamortized financing costs	<u>(126)</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 7,732</u></b>

The Organization has a line of credit agreement expiring June 30, 2022, which provides for a total commitment of \$7,000,000 as of June 30, 2021. The line of credit bears a variable interest rate of the one-month LIBOR rate plus 3.00% per annum. On October 23, 2020, the Organization amended the Credit Agreement. Prior to October 23, 2020, the total commitment under the line of credit was \$10,000,000 at a variable interest rate of the one-month LIBOR rate plus 1.95% or the CB Floating Rate. On October 23, 2020, the aggregate principal amount available under the line of credit was reduced to \$7,000,000, and principal amount available will be reduced to \$3,000,000 effective December 31, 2021. The Organization was in compliance with covenants on the line of credit agreement during fiscal years 2021 and 2020.

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 13 - Endowment

The Organization's endowment consists of a number of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds restricted to be held in perpetuity, and funds set up to function as endowments but allowing for the possibility of spending of corpus and no restriction to hold in perpetuity, which are reported inclusive of related accumulated earnings. As required by U.S. GAAP and as disclosed below, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this determination, the Organization classifies as donor-restricted net assets the original value of gifts to the perpetual endowment, the original value of subsequent gifts to the perpetual endowment, and accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual endowments is classified as non-perpetual endowments until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA or specific donor instruction.

In accordance with PMIFA, the Organization considers the:

- Duration and preservation of the fund;
- Purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- Possible effect of inflation and deflation;
- Expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- Investment policies of the Organization.

Endowment net assets consisted of the following as of June 30:

	(In Thousands)	
	2021	2020
Perpetual endowment funds-		
Original donor-restricted gift amount	\$ 6,391	\$ 5,861
Accumulated investment gains (losses)	1,055	(47)
Endowments transferred in discontinued operations	(1,731)	
	5,715	5,814
Non-perpetual endowment funds	8,449	8,525
<b>Total Endowment Fund</b>	<b>\$ 14,164</b>	<b>\$ 14,339</b>

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

#### Note 13 - Continued

Changes to endowment net assets are as follows for the year ended June 30:

	(In Thousands)	
	2021	2020
Endowment net assets, beginning of year	\$ 14,339	\$ 15,690
Endowment investment return, net	2,921	615
Donor reclassifications	203	
Contributions	240	184
Distributions	(1,808)	(2,150)
Endowment transfer for discontinued operations	(1,731)	
<b>Endowment Net Assets</b>	<b>\$ 14,164</b>	<b>\$ 14,339</b>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the State Prudent Management of Institutional Funds Act requires NFP to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2021. Deficiencies of this nature existed in three donor-restricted endowment funds, which together had an original gift value of \$1,439,000, a fair value of \$1,224,000, and a deficiency of \$215,000 as of June 30, 2020. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs as stipulated in the donor agreement. The Organization's policy is to not spend on endowments with deficiencies unless otherwise instructed by the donor.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity, for a donor specified period, or for long-term funding of programs. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to seek an average annual rate of return of 7%, or total return of Consumer Price Index plus 3%, whichever is greater. Actual returns may vary significantly from this objective in any given year.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through capital appreciation, realized and unrealized gains, and current yield such as interest and dividends. The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy of appropriating for distribution, absent specific donor instructions, approximately 5% of the market value of endowment assets on an annual basis. In establishing this policy, the Organization considered the long-term expected return on its endowment and its desire to maintain a predictable stream of funding to programs supported by its endowment assets. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow at an average 2% annually. This is consistent with the Organization's objective to provide real growth to its endowment through new gifts and investment returns.

During the year ended June 30, 2018, the Organization received a donor-restricted term endowment totaling approximately \$6,600,000. The endowment agreement provides for annual spending from the endowment through December 31, 2026, as long as the corpus balance allows. The annual releases are based on actual expenditures, up to amounts specified in the endowment agreement.

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 14 - Long-Term Note Receivable

On June 29, 2012, the Organization signed an agreement to lease its Crosspoint Academy building to another entity (the "Lessee"). Crosspoint Academy is a K-12 school located in Bremerton, Washington. The Lessee operates its own Christian school in the Crosspoint building beginning July 1, 2012. The agreement allows for below market rent beginning in July 2012 and includes clauses increasing rent during the term of the lease based on enrollment. The agreement also includes a purchase option that must be exercised in writing no later than sixty days prior to the end of the lease term. During the year ended June 30, 2016, the lease was amended to extend the lease term from June 30, 2016 to August 31, 2016. In the amendment, the Lessee elected to exercise the purchase option to purchase the property for \$2,000,000 less a \$50,000 rent credit, for a net purchase price of \$1,950,000. The Lessee made a down payment of \$250,000 with the remaining amount financed through a promissory note. The note bears interest at 5% per annum. Annual installment payments of not less than \$150,000 per year began September 1, 2017, and will continue through September 1, 2021, at which time installment payments of not less than \$200,000 will begin and continue until the note is paid in full. The outstanding balance of the note totaled \$1,468,000 and \$1,545,000 as of June 30, 2021 and 2020 as reflected on the consolidated balance sheets.

#### Note 15 - Commitments and Contingencies

**Leases** - The Organization is obligated under various operating leases for office equipment, office and radio tower space. Lease expense for the years ended June 30, 2021 and 2020, was \$419,000 and \$657,000, respectively. Future minimum lease payments for operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

For the Year Ending June 30,	<u>(In Thousands)</u>
2022	\$ 301
2023	170
2024	100
2025	94
2026	68
Thereafter	<u>142</u>
<b>Total Future Minimum Lease Payments</b>	<b><u>\$ 875</u></b>

**Employee Retirement Benefits** - The Organization offers a Section 403(b) savings plan to eligible employees. Employees may contribute amounts from their salaries to the plan up to the limits specified by the Internal Revenue Service. The Organization may contribute 3% of the employee's earnings annually to each eligible employee's account on a discretionary basis. This discretionary contribution has been suspended for calendar years 2021 and 2020. The Organization matches up to 4% additional contributions to an eligible employee's account based upon years of service to the Organization. Employer provided funds are vested to the employee at 20% per year until fully vested after five years. Effective January 1, 2020, the Organization elected to suspend employer matching contributions. Total employer contributions expensed during the years ended June 30, 2020, was \$626,000.

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 15 - Continued

**Other Employee Benefits** - The Organization offers employees an option to participate in a self-insured health plan. The Organization also maintains a self-insured workers' compensation plan. Claims under these plans are self-insured with stop-loss umbrella policies in place to limit maximum potential liability for both individual claims and total claims for a plan year. Claims are paid as they are submitted to the plan administrators. The Organization maintains an accrual for claims that have been incurred but not yet reported (IBNR) to the plan administrators. The IBNR reserve is based on the historical lag period and current payment trends of health insurance claims (generally 2 to 3 months) and workers compensation claims (generally 1 to 3 years). The IBNR reserve for health care is based on the historical claims as computed by the insurance broker's actuaries (generally 15 months), less payments made, and is included in accounts payable and accrued expenses on the consolidated balance sheets. The IBNR totaled \$437,000 and \$592,000 as of June 30, 2021 and 2020, respectively. The liability for the workers' compensation benefit claims due in less than one year totaled \$321,000 and \$193,000 as of June 30, 2021 and 2020, respectively, and is recorded in accounts payable and accrued expenses. The liability for claims greater than one year is recorded in long-term liabilities (Note 1) in the accompanying consolidated balance sheets and totaled \$321,000 and \$193,000 as of June 30, 2021 and 2020, respectively.

**Contingencies** - Amounts received under U.S. Federal government grants and other programs are subject to audit and adjustment by the granting agency. Any adjusted amounts, including funds already received, may constitute a liability of the Organization. Management believes adjustments required, if any, as a result of audits will not have a material effect on the Organization's financial position or results of activities.

In the normal course of business, the Organization has various claims in process, matters in litigation, and other contingencies. In management's opinion, the outcome from these matters will not materially impact the Organization's financial position or results of activities.

## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

#### Note 16 - Liquidity and Availability of Financial Assets

The Organization's financial assets available for general expenditures within one year of the balance sheet dates were as follows as of June 30:

	(In Thousands)	
	2021	2020
Total cash and cash equivalents	\$ 10,232	\$ 6,508
Grants receivable	517	481
Pledges receivable	97	435
Trade receivables	2,249	2,621
Note receivable	1,468	1,545
Investments	53,083	47,696
Planned giving program assets	4,428	4,176
Total financial assets	72,074	63,462
Receivables scheduled to be collected in more than one year	(1,345)	(1,431)
Planned giving obligations	(1,517)	(1,792)
Perpetual endowments	(7,446)	(5,814)
Non-perpetual endowments	(8,449)	(8,525)
Perpetual trust	(2,244)	(1,765)
Cash held by discontinued operations	(1,200)	(1,072)
Investments held by discontinued operations	(5,645)	(4,870)
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b>\$ 44,228</b>	<b>\$ 38,193</b>

The Organization manages its liquidity and reserves following three guiding principles: (1) operating within a prudent range of financial soundness and stability, (2) maintaining adequate liquid assets to fund near-term operating needs, and (3) maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets at a minimum of 30 days expected cash operating expenses. The organization has a policy to target a year end balance of reserves of unrestricted, undesignated net assets to meet 60 to 105 days of expected expenditures. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity monthly and monitors its reserves quarterly. The Organization also has a line of credit available to meet short-term needs (Note 11). During the year ended in June 30, 2020, the Organization experienced a negative change in net assets without donor restrictions. The financial losses that contributed to this negative change were primarily related to operations which have been discontinued. The Organization's cash and liquidity reserves, including its line of credit, are sufficient to absorb these negative changes in net assets and remain sufficient for the Organization's operating needs. During the years ended June 30, 2021 and 2020, the level of liquidity and reserves was managed within the policy requirements.



## CRISTA MINISTRIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2021 and 2020

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#### Note 17 - Coronavirus Pandemic

In December 2019, a novel strain of the coronavirus (COVID-19) was identified, and the World Health Organization declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 pandemic caused business disruption through mandated and voluntary closing of multiple businesses and organizations. The Organization complied with changes mandated by Washington state and the foreign countries in which the Organization works. The changes included increased safety protocols across all ministries and transitioning traditional classes to a remote learning platform on March 10, 2020. While the situation is expected to be temporary, the extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the effect on the Organization’s donors, students, residents, employees, and vendors, none of which can be reliably predicted at this time. Management continues to monitor events and conditions as they unfold and has established strategies to respond accordingly.

In response to COVID-19, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). The CARES Act allows employers to defer payment of the employer Social Security taxes that are otherwise owed for wage payments made after March 27, 2020, through December 31, 2020. The deposit due date for 50% of the deferred Social Security taxes is December 31, 2021, with the remaining 50% deferred until December 31, 2022. The Organization elected to utilize this option, and the deferred employer portion of Social Security taxes, totaling approximately \$1,553,000 and \$629,000 as of June 30, 2021 and 2020, is included in other long-term liabilities on the consolidated balance sheets.

As part of the CARES Act, the Organization received funding from the U.S. Department of Health and Human Services as part of the Provider Relief Fund. The Provider Relief Fund is to be used to “prevent, prepare for, and respond to coronavirus” by hospitals and other healthcare providers, such as the Organization’s skilled nursing operations of its Senior Living ministry. Provider Relief Fund support received totaled approximately \$254,000 and \$767,000, for the years ended June 30, 2021 and 2020, respectively. The Organization believes that it has met the conditions to entitlement to these funds by June 30, 2021 and 2020, based on available guidance from the Federal government, and has recognized revenue totaling approximately \$254,000 and \$767,000 as government grants, included within the loss from discontinued operations on the consolidated statements of changes in net assets without donor restrictions. Revenue from this grant is subject to audit required by the granting agency, which could result in adjustments to revenue. Any adjustments would be recorded at the time that such amounts could first be reasonably determined, normally upon notification by the government agency.

#### Note 18 - Subsequent Events

The Organization has evaluated subsequent events with respect to the consolidated financial statements for the year ended June 30, 2021, through November 26, 2021, the date on which the consolidated financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements, nor have any events occurred, the nature of which would require disclosure except as discussed below.

On October 28, 2021, the sale of the Island Lake Camps property was completed (Note 2).

**SUPPLEMENTARY INFORMATION**

## CRISTA MINISTRIES

### Consolidating Balance Sheet - Assets June 30, 2021 (In Thousands)

	CRISTA Ministries (Certificate Holder)	CRISTA Ministries Canada	World Concern Development Organization	Eliminating Entries	Total
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and cash equivalents-					
Available for current ministries	\$ 4,354	\$ 474	\$ 24	\$ -	\$ 4,852
Held for donor restricted					
ministry purposes	2,436				2,436
Held by field operations	1,744				1,744
Cash held by discontinued operations	1,200				1,200
<b>Total cash and cash equivalents</b>	<b>9,734</b>	<b>474</b>	<b>24</b>		<b>10,232</b>
Grants receivable	364		153		517
Pledges receivable, current portion	90	7			97
Trade receivables, net	2,244	5	1,565	(1,565)	2,249
Note receivable, current portion	123				123
Short-term investments	692				692
Prepaid expenses and supplies	1,002				1,002
Donated supply inventory			186		186
<b>Total Current Assets</b>	<b>14,249</b>	<b>486</b>	<b>1,928</b>	<b>(1,565)</b>	<b>15,098</b>
Long-term investments-					
Available for current ministries	32,809				32,809
Endowment accounts	13,571				13,571
Other investments	366				366
Investments held by discontinued operations	5,645				5,645
<b>Total long-term investments</b>	<b>52,391</b>				<b>52,391</b>
Long-term pledges receivable, net (Note 3)					
Planned giving program assets (Notes 4 and 7)	4,428				4,428
Property and equipment used in ministries, net (Note 6)	56,884				56,884
Assets held by field operations (Note 8)	3,761				3,761
Long-term note receivable, net (Note 12)	1,345				1,345
D ministries, net	394				394
Radio licenses, net (Note 1)	1				1
Noncurrent assets held for sale (Note 1)	1,500				1,500
<b>Total Assets</b>	<b>\$ 134,953</b>	<b>\$ 486</b>	<b>\$ 1,928</b>	<b>\$ (1,565)</b>	<b>\$ 135,802</b>

See independent auditor's report.

## CRISTA MINISTRIES

### Consolidating Balance Sheet - Liabilities and Net Assets

June 30, 2021

(In Thousands)

	CRISTA Ministries (Certificate Holder)	CRISTA Ministries Canada	World Concern Development Organization	Eliminating Entries	Total
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities:</b>					
Accounts payable and accrued expenses	\$ 9,733	\$ 156	\$ 4	\$ (1,565)	\$ 8,328
Accounts payable held in field offices	2,881				2,881
Deferred revenue	1,429				1,429
Grant advances	1,019		186		1,205
Current portion of long-term debt	1,011				1,011
Current liabilities held for sale	6,934				6,934
<b>Total Current Liabilities</b>	<b>23,007</b>	<b>156</b>	<b>190</b>	<b>(1,565)</b>	<b>21,788</b>
Long-term debt, net	6,721				6,721
Other long-term liabilities	1,335				1,335
Refundable entry fees	4,998				4,998
Nonrefundable entry fees	5,458				5,458
Deposits and deferred rent	320				320
Planned giving program obligations	1,517				1,517
Noncurrent liabilities held for sale	33				33
<b>Total Liabilities</b>	<b>43,389</b>	<b>156</b>	<b>190</b>	<b>(1,565)</b>	<b>42,170</b>
<b>Net Assets:</b>					
Without donor restrictions-					
General	18,162	252	1,724		20,138
Represented by property, equipment and intangibles owned by the Organization	50,527				50,527
Total net assets without donor restrictions	68,689	252	1,724		70,665
With donor restrictions-					
Restricted for program activities	6,148	78	14		6,240
Restricted for capital acquisitions	280				280
The Organization's portion of irrevocable trust agreements	39				39
Student financial aid and teacher excellence endowment	3,982				3,982
Senior living resident financial aid endowment	2,137				2,137
World Concern term endowment	4,856				4,856
Restricted for endowment funds	3,189				3,189
Perpetual trust	2,244				2,244
Total net assets with donor restrictions	22,875	78	14		22,967
<b>Total Net Assets</b>	<b>91,564</b>	<b>330</b>	<b>1,738</b>		<b>93,632</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 134,953</b>	<b>\$ 486</b>	<b>\$ 1,928</b>	<b>\$ (1,565)</b>	<b>\$ 135,802</b>

See independent auditor's report.