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CERTIFIED PUBLIC ACCOUNTANTS®

Grace to You John MacArthur Charitable Trust

Consolidating and Consolidated Financial Statements

For The Years Ended June 30, 2024 and 2023



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CERTIFIED PUBLIC ACCOUNTANTS ®

REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Grace to You
Valencia, California

Opinion

We have audited the accompanying consolidating and consolidated financial statements of Grace to You and John MacArthur Charitable Trust (collectively, "the Organizations"), which consist of the consolidating and consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidating and consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidating and consolidated financial statements.

In our opinion, the consolidating and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Grace to You and John MacArthur Charitable Trust as of June 30, 2024 and 2023, and the individual and consolidated changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidating and Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidating and Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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- Identify and assess the risk of material misstatement of the consolidating and consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidating and consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of consolidating and consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in blue ink that reads "Batts Morrison Wales & Lee, P.A.".

BATTS MORRISON WALES & LEE, P.A.

Plano, Texas
November 18, 2024

GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST
CONSOLIDATING AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2024

ASSETS

	Grace to You	John MacArthur Charitable Trust	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 8,564,466	\$ 974,363	\$ —	\$ 9,538,829
Investments	28,630,702	3,769,328	—	32,400,030
Inventories	1,767,644	—	—	1,767,644
Prepaid expenses and other assets	2,088,305	25,134	—	2,113,439
Cash surrender value of life insurance	1,150,571	—	—	1,150,571
Property and equipment, net	<u>4,232,342</u>	<u>—</u>	<u>—</u>	<u>4,232,342</u>
Total assets	<u>\$ 46,434,030</u>	<u>\$ 4,768,825</u>	<u>\$ —</u>	<u>\$ 51,202,855</u>

LIABILITIES AND NET ASSETS

LIABILITIES				
Accounts payable and accrued expenses	\$ 1,626,808	\$ 55,140	\$ —	\$ 1,681,948
Other liabilities	<u>34,121</u>	<u>—</u>	<u>—</u>	<u>34,121</u>
Total liabilities	<u>1,660,929</u>	<u>55,140</u>	<u>—</u>	<u>1,716,069</u>

NET ASSETS

Without donor restrictions				
Undesignated	44,110,186	2,992,075	—	47,102,261
Board designated	609,218	84,068	—	693,286
Donor-advised fund	<u>—</u>	<u>637,542</u>	<u>—</u>	<u>637,542</u>
Total without donor restrictions	44,719,404	3,713,685	—	48,433,089
With donor restrictions	<u>53,697</u>	<u>1,000,000</u>	<u>—</u>	<u>1,053,697</u>
Total net assets	<u>44,773,101</u>	<u>4,713,685</u>	<u>—</u>	<u>49,486,786</u>
Total liabilities and net assets	<u>\$ 46,434,030</u>	<u>\$ 4,768,825</u>	<u>\$ —</u>	<u>\$ 51,202,855</u>

GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST
CONSOLIDATING AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2023

ASSETS

	Grace to You	John MacArthur Charitable Trust	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 7,116,149	\$ 1,899,303	\$ —	\$ 9,015,452
Investments	41,875,105	11,841	—	41,886,946
Inventories	1,541,537	—	—	1,541,537
Prepaid expenses and other assets	1,216,442	24,527	—	1,240,969
Cash surrender value of life insurance	1,141,168	—	—	1,141,168
Property and equipment, net	<u>4,377,749</u>	<u>—</u>	<u>—</u>	<u>4,377,749</u>
Total assets	<u>\$ 57,268,150</u>	<u>\$ 1,935,671</u>	<u>\$ —</u>	<u>\$ 59,203,821</u>

LIABILITIES AND NET ASSETS

LIABILITIES				
Accounts payable and accrued expenses	\$ 1,668,656	\$ 14,016	\$ —	\$ 1,682,672
Other liabilities	<u>30,646</u>	<u>—</u>	<u>—</u>	<u>30,646</u>
Total liabilities	<u>1,699,302</u>	<u>14,016</u>	<u>—</u>	<u>1,713,318</u>

NET ASSETS

Without donor restrictions				
Undesignated	54,798,548	741,655	—	55,540,203
Board designated	616,343	75,000	—	691,343
Donor-advised fund	<u>—</u>	<u>100,000</u>	<u>—</u>	<u>100,000</u>
Total without donor restrictions	55,414,891	916,655	—	56,331,546
With donor restrictions	<u>153,957</u>	<u>1,005,000</u>	<u>—</u>	<u>1,158,957</u>
Total net assets	<u>55,568,848</u>	<u>1,921,655</u>	<u>—</u>	<u>57,490,503</u>
Total liabilities and net assets	<u>\$ 57,268,150</u>	<u>\$ 1,935,671</u>	<u>\$ —</u>	<u>\$ 59,203,821</u>

GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST
CONSOLIDATING AND CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2024

	Grace to You	John MacArthur Charitable Trust	Eliminations	Consolidated Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Public support and revenue				
Contributions	\$ 32,213,059	\$ 27,466,007	\$ (20,000,000)	\$ 39,679,066
Investment gain, net	4,951,327	410,443	—	5,361,770
Ministry media sales	2,222,168	—	—	2,222,168
Other revenue	345,027	—	—	345,027
Net assets released from restrictions	<u>173,782</u>	<u>4,841,292</u>	<u>—</u>	<u>5,015,074</u>
 Total public support and revenue and net assets released from restrictions	 <u>39,905,363</u>	 <u>32,717,742</u>	 <u>(20,000,000)</u>	 <u>52,623,105</u>
 Expenses				
Program activities	<u>44,059,613</u>	<u>29,023,857</u>	<u>(20,000,000)</u>	<u>53,083,470</u>
Supporting activities				
General and administrative	5,886,306	258,399	—	6,144,705
Fundraising	<u>654,931</u>	<u>638,456</u>	<u>—</u>	<u>1,293,387</u>
 Total supporting activities	 <u>6,541,237</u>	 <u>896,855</u>	 <u>—</u>	 <u>7,438,092</u>
 Total expenses	 <u>50,600,850</u>	 <u>29,920,712</u>	 <u>(20,000,000)</u>	 <u>60,521,562</u>
 Change in net assets without donor restrictions	 <u>(10,695,487)</u>	 <u>2,797,030</u>	 <u>—</u>	 <u>(7,898,457)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	73,522	4,836,292	—	4,909,814
Net assets released from restrictions	<u>(173,782)</u>	<u>(4,841,292)</u>	<u>—</u>	<u>(5,015,074)</u>
 Change in net assets with donor restrictions	 <u>(100,260)</u>	 <u>(5,000)</u>	 <u>—</u>	 <u>(105,260)</u>
 CHANGE IN NET ASSETS	 <u>(10,795,747)</u>	 <u>2,792,030</u>	 <u>—</u>	 <u>(8,003,717)</u>
 NET ASSETS - Beginning of year	 <u>55,568,848</u>	 <u>1,921,655</u>	 <u>—</u>	 <u>57,490,503</u>
 NET ASSETS - End of year	 <u>\$ 44,773,101</u>	 <u>\$ 4,713,685</u>	 <u>\$ —</u>	 <u>\$ 49,486,786</u>

The Accompanying Notes are an Integral
Part of These Consolidating and Consolidated Financial Statements

GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST
CONSOLIDATING AND CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2023

	Grace to You	John MacArthur Charitable Trust	Eliminations	Consolidated Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Public support and revenue				
Contributions	\$ 31,219,018	\$ 5,639,902	\$ —	\$ 36,858,920
Investment gain, net	4,487,963	45,399	—	4,533,362
Ministry media sales	2,366,422	—	—	2,366,422
Other revenue	267,582	—	—	267,582
Net assets released from restrictions	<u>93,165</u>	<u>5,181,000</u>	<u>(1,992,000)</u>	<u>3,282,165</u>
 Total public support and revenue and net assets released from restrictions	 <u>38,434,150</u>	 <u>10,866,301</u>	 <u>(1,992,000)</u>	 <u>47,308,451</u>
 Expenses				
Program activities	<u>21,949,182</u>	<u>11,444,170</u>	<u>(1,000,000)</u>	<u>32,393,352</u>
Supporting activities				
General and administrative	5,140,862	290,031	—	5,430,893
Fundraising	<u>697,050</u>	<u>570,625</u>	<u>—</u>	<u>1,267,675</u>
 Total supporting activities	 <u>5,837,912</u>	 <u>860,656</u>	 <u>—</u>	 <u>6,698,568</u>
 Total expenses	 <u>27,787,094</u>	 <u>12,304,826</u>	 <u>(1,000,000)</u>	 <u>39,091,920</u>
 Change in net assets without donor restrictions	 <u>10,647,056</u>	 <u>(1,438,525)</u>	 <u>(992,000)</u>	 <u>8,216,531</u>
 CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	129,135	4,492,000	(1,000,000)	3,621,135
Net assets released from restrictions	<u>(93,165)</u>	<u>(5,181,000)</u>	<u>1,992,000</u>	<u>(3,282,165)</u>
 Change in net assets with donor restrictions	 <u>35,970</u>	 <u>(689,000)</u>	 <u>992,000</u>	 <u>338,970</u>
 CHANGE IN NET ASSETS	 10,683,026	 (2,127,525)	 —	 8,555,501
 NET ASSETS - Beginning of year	 <u>44,885,822</u>	 <u>4,049,180</u>	 <u>—</u>	 <u>48,935,002</u>
 NET ASSETS - End of year	 <u>\$ 55,568,848</u>	 <u>\$ 1,921,655</u>	 <u>\$ —</u>	 <u>\$ 57,490,503</u>

The Accompanying Notes are an Integral
Part of These Consolidating and Consolidated Financial Statements

GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST
CONSOLIDATING AND CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2024

	Grace to You	John MacArthur Charitable Trust	Eliminations	Consolidated Total
OPERATING CASH FLOWS				
Change in net assets	\$ (10,795,747)	\$ 2,792,030	\$ —	\$ (8,003,717)
Adjustments to reconcile change in net assets to net operating cash flows				
Depreciation	615,829	—	—	615,829
Amortization	263,548	—	—	263,548
Noncash contributions of investments	—	(857,967)	—	(857,967)
Net investment gain	(3,583,296)	(238,455)	—	(3,821,751)
Change in inventories	(226,107)	—	—	(226,107)
Change in unconditional promise to give	—	24,527	—	24,527
Change in prepaid expenses and other assets	(688,757)	(25,134)	—	(713,891)
Change in accounts payable and accrued expenses	(41,848)	41,124	—	(724)
Change in other liabilities	3,475	—	—	3,475
Net operating cash flows	(14,452,903)	1,736,125	—	(12,716,778)
INVESTING CASH FLOWS				
Purchases of investments	(4,959,522)	(2,597,164)	—	(7,556,686)
Proceeds from sales of investments	23,155,252	—	—	23,155,252
Reinvestment of interest and dividends	(1,368,031)	(63,901)	—	(1,431,932)
Net increase in cash surrender value of life insurance	(9,403)	—	—	(9,403)
Expenditures for website and Bible application development	(446,654)	—	—	(446,654)
Purchases of and improvements to property and equipment	(470,422)	—	—	(470,422)
Net investing cash flows	15,901,220	(2,661,065)	—	13,240,155
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,448,317	(924,940)	—	523,377
CASH AND CASH EQUIVALENTS - Beginning of year	7,116,149	1,899,303	—	9,015,452
CASH AND CASH EQUIVALENTS - End of year	\$ 8,564,466	\$ 974,363	\$ —	\$ 9,538,829

The Accompanying Notes are an Integral
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GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST
CONSOLIDATING AND CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2023

	Grace to You	John MacArthur Charitable Trust	Eliminations	Consolidated Total
OPERATING CASH FLOWS				
Change in net assets	\$ 10,683,026	\$ (2,127,525)	\$ —	\$ 8,555,501
Adjustments to reconcile change in net assets to net operating cash flows				
Depreciation	628,368	—	—	628,368
Amortization	250,417	—	—	250,417
Net investment gain	(3,279,389)	(32,697)	—	(3,312,086)
Change in inventories	(31,960)	—	—	(31,960)
Change in unconditional promise to give	—	2,250,000	—	2,250,000
Change in prepaid expenses and other assets	(117,901)	1,625	—	(116,276)
Change in accounts payable and accrued expenses	177,283	5,084	—	182,367
Change in other liabilities	3,766	—	—	3,766
Net operating cash flows	<u>8,313,610</u>	<u>96,487</u>	<u>—</u>	<u>8,410,097</u>
INVESTING CASH FLOWS				
Purchases of investments	(16,569,000)	—	—	(16,569,000)
Proceeds from sales of investments	9,123,576	102,700	—	9,226,276
Reinvestment of interest and dividends	(1,208,574)	—	—	(1,208,574)
Net increase in cash surrender value of life insurance	(19,138)	—	—	(19,138)
Expenditures for website and Bible application development	(127,751)	—	—	(127,751)
Purchases of and improvements to property and equipment	(310,913)	—	—	(310,913)
Net investing cash flows	<u>(9,111,800)</u>	<u>102,700</u>	<u>—</u>	<u>(9,009,100)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(798,190)</u>	<u>199,187</u>	<u>—</u>	<u>(599,003)</u>
CASH AND CASH EQUIVALENTS - Beginning of year	<u>7,914,339</u>	<u>1,700,116</u>	<u>—</u>	<u>9,614,455</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 7,116,149</u>	<u>\$ 1,899,303</u>	<u>\$ —</u>	<u>\$ 9,015,452</u>

The Accompanying Notes are an Integral
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GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST
CONSOLIDATING AND CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2024

	Grace to You				John MacArthur Charitable Trust				Eliminations	Consolidated Total
	Program activities	Supporting activities		Total	Program activities	Supporting activities		Total		
		General and administrative	Fundraising			General and administrative	Fundraising			
Grants	\$ 21,655,000	\$ —	\$ —	\$ 21,655,000	\$ 29,023,857	\$ —	\$ —	\$ 29,023,857	\$ (20,000,000)	\$ 30,678,857
Payroll and benefits	7,498,316	3,806,838	230,717	11,535,871	—	18,665	354,643	373,308	—	11,909,179
Radio	5,569,765	—	54,822	5,624,587	—	—	—	—	—	5,624,587
Resources distributed free of charge and ministry support	4,399,864	446,198	196,196	5,042,258	—	—	—	—	—	5,042,258
Building, equipment, and occupancy costs	1,792,848	380,790	23,396	2,197,034	—	—	—	—	—	2,197,034
Other	19,155	965,143	41,975	1,026,273	—	239,734	33,683	273,417	—	1,299,690
Costs of resources sold	1,297,330	—	—	1,297,330	—	—	—	—	—	1,297,330
Printing	659,397	186,608	96,220	942,225	—	—	250,130	250,130	—	1,192,355
Television	958,502	—	1,390	959,892	—	—	—	—	—	959,892
Conferences and travel	209,436	100,729	10,215	320,380	—	—	—	—	—	320,380
Total expenses	\$ 44,059,613	\$ 5,886,306	\$ 654,931	\$ 50,600,850	\$ 29,023,857	\$ 258,399	\$ 638,456	\$ 29,920,712	\$ (20,000,000)	\$ 60,521,562

For The Year Ended June 30, 2023

	Grace to You				John MacArthur Charitable Trust				Eliminations	Consolidated Total
	Program activities	Supporting activities		Total	Program activities	Supporting activities		Total		
		General and administrative	Fundraising			General and administrative	Fundraising			
Grants	\$ 1,026,355	\$ —	\$ —	\$ 1,026,355	\$ 11,444,170	\$ —	\$ —	\$ 11,444,170	\$ (1,000,000)	\$ 11,470,525
Payroll and benefits	6,572,912	3,301,395	216,839	10,091,146	—	16,512	313,721	330,233	—	10,421,379
Radio	5,542,547	—	54,591	5,597,138	—	—	—	—	—	5,597,138
Resources distributed free of charge and ministry support	3,850,783	271,562	224,923	4,347,268	—	—	—	—	—	4,347,268
Building, equipment, and occupancy costs	1,671,640	369,882	23,871	2,065,393	—	—	—	—	—	2,065,393
Costs of resources sold	1,460,596	—	—	1,460,596	—	—	—	—	—	1,460,596
Other	18,335	979,913	44,386	1,042,634	—	273,519	30,337	303,856	—	1,346,490
Printing	705,411	125,282	125,908	956,601	—	—	226,541	226,541	—	1,183,142
Television	953,856	—	1,377	955,233	—	—	—	—	—	955,233
Conferences and travel	146,747	92,828	5,155	244,730	—	—	26	26	—	244,756
Total expenses	\$ 21,949,182	\$ 5,140,862	\$ 697,050	\$ 27,787,094	\$ 11,444,170	\$ 290,031	\$ 570,625	\$ 12,304,826	\$ (1,000,000)	\$ 39,091,920

The Accompanying Notes are an Integral
Part of These Consolidating and Consolidated Financial Statements

GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST
NOTES TO CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Grace to You (“the Ministry”) is a not-for-profit California corporation, with headquarters in Valencia, California. The Ministry is dedicated to teaching Biblical truth with clarity. The Ministry uses media to expose John MacArthur’s teaching to as wide an audience as possible “for the equipping of the saints for the work of service, to the building up of the body of Christ; until we all attain to the unity of the faith, and of the knowledge of the Son of God, to a mature man, to the measure of the stature which belongs to the fullness of Christ” (Ephesians 4:12-13, New American Standard Bible).

The Ministry provides Biblically-based materials to protect believers from being “tossed here and there by waves, and carried about by every wind of doctrine, by the trickery of men, by craftiness in deceitful scheming” (Ephesians 4:14). The Ministry accepts the God-given responsibility of “speaking the truth in love” (Ephesians 4:15) and striving for the growth of the church and glory of the Lord, rather than the praise and honor of men. The Ministry supports the local church’s ministry by providing additional resources for those hungering for the truth of God’s Word. The Ministry believes that media ministries can never substitute for involvement in a Biblical church, group Bible study, or interaction with a teacher. Yet there is the need for more in-depth resources, evidenced by the many Christians and Christian leaders worldwide who depend on this ministry to supplement their own study.

The Ministry distributes John MacArthur’s works through radio programs for broadcast, telecasts, web-based media, and other media. The Ministry also conducts conferences; sells books, audio, and video media; and publishes books and other media that advance the Ministry’s exempt religious and educational purposes. The Ministry produces and airs the following radio programs:

- “Grace to You,” a daily half-hour radio program featuring sermons preached by John MacArthur;
- “Grace to You Weekend,” a weekly radio program;
- “Portraits of Grace,” a daily one-minute program offering devotional content; and
- “Bible Q&A with John MacArthur,” a daily two-minute feature in which John MacArthur answers Bible questions.

These radio programs reach major metropolitan areas of the United States, as well as Australia and Canada, parts of Asia and Europe, and South Africa. Spanish versions of the broadcasts are also aired in various countries.

In conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), the consolidated financial statements of the Ministry include the accounts of the following organizations, which are separate legal entities:

- John MacArthur Charitable Trust (“JMCT”) is a California not-for-profit corporation organized to support various ministries led by John MacArthur. The Ministry elects a majority of the Board of Directors of JMCT.
- John MacArthur Publishing Group LLC (“JMPG”) is a California limited liability company formed during the year ended June 30, 2024. The Ministry is the sole member of JMPG. JMPG had no financial activity during the year ended June 30, 2024. JMPG was created to engage in Christian publishing activities, and such other activities that are related or incidental thereto.

All significant interorganization balances and transactions have been eliminated in consolidation. References to “the Organizations” in these footnotes include both the Ministry and JMCT.

GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST
NOTES TO CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Organizations recognize cash contributions as revenue when contributions are received by the Organizations. Contributions received are recorded as without or with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidating and consolidated statements of activities as “net assets released from restrictions.”

Ministry media sales revenue

Ministry media sales are reported at the amount that reflects the consideration to which the Ministry expects to be entitled for sales of ministry media products. Such amounts are generally due from consumers of ministry media. Ministry media sales revenue is recognized upon the sale of products.

Performance obligations are determined based on the nature of the goods provided by the Ministry. The Ministry measures the performance obligation for ministry media sales revenue at the point of sale of the products. The Ministry measures the transaction price of such revenues based on published rates for the goods, net of certain discounts.

Cash and cash equivalents

The Organizations consider investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Investments

Investments are stated at estimated fair value.

Inventories

Inventories consist primarily of audio and video media and books. Inventories are stated at the lower of cost or net realizable value using the average cost-flow assumption.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets.

Income taxes

The Ministry and JMCT are exempt from federal income tax as organizations described in Section 501(c)(3) of the Internal Revenue Code and are generally exempt from applicable state income taxes. The Ministry and JMCT are further classified as public charities and not private foundations for federal tax purposes. Neither the Ministry or JMCT have incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying consolidating and consolidated financial statements. JMPG is treated as a disregarded entity for federal tax purposes.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Boards of Directors and/or management for general operating purposes. From time to time, the Boards may designate a portion of these net assets for specific purposes which make them unavailable for use at management’s discretion. Board designated net assets consist of amounts designated by the Ministry’s Board of Directors for Russian translation work and by JMCT’s Board of Directors for various purposes as further described in Note H. Net assets with donor restrictions consist of amounts with uses limited by donor-imposed time and/or purpose restrictions, primarily for various translation efforts and scholarships.

Additionally, during the year ended June 30, 2023, JMCT became the administrator of a donor-advised fund. Donor gifts to the donor-advised fund are made irrevocably with the understanding that while the donor retains an advisory role in the distribution of funds, JMCT retains ultimate control over the use of the funds.

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NOTES TO CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets (Continued)

Accordingly, the donor-advised fund is reflected as a component of net assets without donor restrictions in the accompanying consolidating and consolidated statements of financial position.

Functional allocation of expenses

The consolidating and consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

Use of estimates

Management uses estimates and assumptions in preparing consolidating and consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these consolidating and consolidated financial statements include those used in determining the estimated fair value of investments and the useful lives of property and equipment. Actual results could differ from the estimates.

Donated services

No amounts have been reflected in the accompanying consolidating and consolidated financial statements for donated services. The Organizations generally pay for services requiring specific expertise, and other donated services ordinarily do not meet the recognition criteria under U.S. GAAP. However, many individuals volunteer their time and perform a variety of tasks that assist the Organizations with specific activities.

Reclassifications

Certain amounts included in the consolidating and consolidated financial statements for the year ended June 30, 2023 have been reclassified to conform to classifications adopted during the year ended June 30, 2024. The reclassifications had no material effect on the accompanying consolidating and consolidated financial statements.

Subsequent events

The Organizations have evaluated for possible financial reporting and disclosure subsequent events through the date of the report of independent auditor, the date as of which the consolidating and consolidated financial statements were available to be issued.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the date of the June 30, 2024 consolidating and consolidated statement of financial position are as follows:

	<u>Ministry</u>	<u>JMCT</u>	<u>Eliminations</u>	<u>Total</u>
Financial assets available:				
Cash and cash equivalents	\$ 8,564,466	\$ 974,363	\$ —	\$ 9,538,829
Investments	28,630,702	3,769,328	—	32,400,030
Accounts receivable (included in “prepaid expenses and other assets”)	<u>276,835</u>	<u>—</u>	<u>—</u>	<u>276,835</u>
Total financial assets available within one year	\$ 37,472,003	\$ 4,743,691	\$ —	\$ 42,215,694

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NOTES TO CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

	<u>Ministry</u>	<u>JMCT</u>	<u>Eliminations</u>	<u>Total</u>
Total financial assets available within one year	\$ 37,472,003	\$ 4,743,691	\$ —	\$ 42,215,694
Less amounts unavailable for general expenditure within one year due to amounts held subject to board and other designations on financial assets	<u>(609,218)</u>	<u>(721,610)</u>	<u>—</u>	<u>(1,330,828)</u>
Net financial assets available within one year	<u>\$ 36,862,785</u>	<u>\$ 4,022,081</u>	<u>\$ —</u>	<u>\$ 40,884,866</u>

Financial assets available for general expenditure within one year of the date of the June 30, 2023 consolidating and consolidated statement of financial position are as follows:

	<u>Ministry</u>	<u>JMCT</u>	<u>Eliminations</u>	<u>Total</u>
Financial assets available:				
Cash and cash equivalents	\$ 7,116,149	\$ 1,899,303	\$ —	\$ 9,015,452
Investments	41,875,105	11,841	—	41,886,946
Accounts receivable (included in “prepaid expenses and other assets”)	<u>35,610</u>	<u>—</u>	<u>—</u>	<u>35,610</u>
Total financial assets available within one year	49,026,864	1,911,144	—	50,938,008
Less amounts unavailable for general expenditure within one year due to amounts held subject to board and other designations on financial assets	<u>(616,343)</u>	<u>(175,000)</u>	<u>—</u>	<u>(791,343)</u>
Net financial assets available within one year	<u>\$ 48,410,521</u>	<u>\$ 1,736,144</u>	<u>\$ —</u>	<u>\$ 50,146,665</u>

The Organizations are primarily supported by contributions. As part of the Organizations’ liquidity management, they structure their financial assets to be available as their general expenditures, liabilities, and other obligations come due. As of June 30, 2024 and 2023, the Ministry’s Board of Directors has designated certain amounts to support Russian translation work and JMCT’s Board of Directors has designated certain amounts for a donor-advised fund and other purposes as further described in Note H. Because of these designations, these amounts are not available for general expenditure within the next year; however, either Board of Directors could make the funds available, if necessary. The Organizations also have certain board-designated and donor-restricted net assets that are available for general expenditure within one year, because the designations and restrictions on the net assets are expected to be met by conducting the normal activities of the Organizations in the coming year.

Management believes the Organizations have sufficient financial assets available for general operations that may be drawn upon in the event of unanticipated financial distress or immediate liquidity need.

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NOTES TO CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE D – CONCENTRATIONS

The Organizations maintain their cash and cash equivalents in deposit or investment accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organizations have not experienced any losses in such accounts, and believe they are not exposed to any significant credit risk related to cash and cash equivalents.

As of June 30, 2024 and 2023, all of the Ministry's investments were held by one custodian.

During the years ended June 30, 2024 and 2023, approximately 84% and 74% of JMCT's total contributions, respectively, came from a small group of donors. Such amounts are included in "contributions" in the accompanying consolidating and consolidated statements of activities. JMCT hopes and expects to gratefully continue its relationships with these donors.

NOTE E – FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, U.S. GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical items

Level 2 – other significant observable inputs (such as quoted prices for similar items)

Level 3 – significant unobservable inputs

The Organizations' nontraditional investments consist of interests in various funds invested in private equity, infrastructure, and other private asset investments. The real estate investment trust holdings consist of investments in companies that operate income-producing real estate assets. The estimated fair value of investments valued using "Level 3" inputs are based on amounts provided by the investees. These investments can generally be liquidated at an amount approximating carrying value in the near-term with proper notice.

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NOTES TO CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – FAIR VALUE MEASUREMENTS (Continued)

Estimated fair value of the Organizations' assets measured on a recurring basis as of June 30, 2024 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds and exchange-traded funds:				
U.S. large cap	\$ 9,378,427	\$ 9,378,427	\$ —	\$ —
International	7,713,712	7,713,712	—	—
Other	3,373,502	3,373,502	—	—
Fixed income	1,708,234	1,708,234	—	—
U.S. small cap	<u>1,085,441</u>	<u>1,085,441</u>	<u>—</u>	<u>—</u>
Subtotal	23,259,316	23,259,316	—	—
Nontraditional investments	5,879,362	—	—	5,879,362
Real estate investment trusts	<u>3,261,352</u>	<u>—</u>	<u>—</u>	<u>3,261,352</u>
Total	<u>\$ 32,400,030</u>	<u>\$ 23,259,316</u>	<u>\$ —</u>	<u>\$ 9,140,714</u>

Estimated fair value of assets measured on a recurring basis as of June 30, 2024 by entity are as follows:

	<u>Total</u>	<u>Ministry</u>	<u>JMCT</u>	<u>Input Level</u>
Mutual funds and exchange-traded funds:				
U.S. large cap	\$ 9,378,427	\$ 8,445,452	\$ 932,975	Level 1
International	7,713,712	6,915,936	797,776	Level 1
Other	3,373,502	3,032,264	341,238	Level 1
Fixed income	1,708,234	531,602	1,176,632	Level 1
U.S. small cap	<u>1,085,441</u>	<u>984,640</u>	<u>100,801</u>	Level 1
Subtotal	23,259,316	19,909,894	3,349,422	
Nontraditional investments	5,879,362	5,612,552	266,810	Level 3
Real estate investment trusts	<u>3,261,352</u>	<u>3,108,256</u>	<u>153,096</u>	Level 3
Total	<u>\$ 32,400,030</u>	<u>\$ 28,630,702</u>	<u>\$ 3,769,328</u>	

Estimated fair value of the Organizations' assets measured on a recurring basis as of June 30, 2023 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds and exchange-traded funds:				
U.S. large cap	\$ 13,289,067	\$ 13,289,067	\$ —	\$ —
International	11,918,388	11,918,388	—	—
Other	3,194,126	3,194,126	—	—
U.S. small cap	2,200,244	2,200,244	—	—
Fixed income	<u>1,663,420</u>	<u>1,663,420</u>	<u>—</u>	<u>—</u>
Subtotal	\$ 32,265,245	\$ 32,265,245	\$ —	\$ —

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NOTES TO CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – FAIR VALUE MEASUREMENTS (Continued)

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Subtotal	\$ 32,265,245	\$ 32,265,245	\$ —	\$ —
Nontraditional investments	5,119,136	—	—	5,119,136
Real estate investment trusts	3,611,918	—	—	3,611,918
Fixed income	<u>890,647</u>	<u>890,647</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 41,886,946</u>	<u>\$ 33,155,892</u>	<u>\$ —</u>	<u>\$ 8,731,054</u>

Estimated fair value of assets measured on a recurring basis as of June 30, 2023 by entity are as follows:

	<u>Total</u>	<u>Ministry</u>	<u>JMCT</u>	<u>Input Level</u>
Mutual funds and exchange-traded funds:				
U.S. large cap	\$ 13,289,067	\$ 13,289,067	\$ —	Level 1
International	11,918,388	11,918,388	—	Level 1
Other	3,194,126	3,182,285	11,841	Level 1
Fixed income	2,200,244	2,200,244	—	Level 1
U.S. small cap	<u>1,663,420</u>	<u>1,663,420</u>	<u>—</u>	<u>Level 1</u>
Subtotal	32,265,245	32,253,404	11,841	
Nontraditional investments	5,119,136	5,119,136	—	Level 3
Real estate investment trusts	3,611,918	3,611,918	—	Level 3
Fixed income	<u>890,647</u>	<u>890,647</u>	<u>—</u>	<u>Level 1</u>
Total	<u>\$ 41,886,946</u>	<u>\$ 41,875,105</u>	<u>\$ 11,841</u>	

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in estimating fair value:

	<u>Ministry</u>	<u>JMCT</u>	<u>Total</u>
Balance, July 1, 2022	\$ 6,855,811	\$ —	\$ 6,855,811
Purchases	944,865	—	944,865
Net gain	<u>930,378</u>	<u>—</u>	<u>930,378</u>
Balance, June 30, 2023	8,731,054	—	8,731,054
Contributions	—	281,250	281,250
Purchases	—	136,680	136,680
Sales	(1,291,660)	—	(1,291,660)
Net gain	<u>1,281,414</u>	<u>1,976</u>	<u>1,283,390</u>
Balance, June 30, 2024	<u>\$ 8,720,808</u>	<u>\$ 419,906</u>	<u>\$ 9,140,714</u>

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NOTES TO CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE F – PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets as of June 30, 2024 consisted of the following:

<u>Category</u>	<u>Ministry</u>	<u>JMCT</u>	<u>Eliminations</u>	<u>Total</u>
Prepaid expenses	\$ 905,668	\$ 25,134	\$ —	\$ 930,802
Website and Bible application development costs, net	905,802	—	—	905,802
Accounts receivable	<u>276,835</u>	<u>—</u>	<u>—</u>	<u>276,835</u>
Total prepaid expenses and other assets	<u>\$ 2,088,305</u>	<u>\$ 25,134</u>	<u>\$ —</u>	<u>\$ 2,113,439</u>

Prepaid expenses and other assets as of June 30, 2023 consisted of the following:

<u>Category</u>	<u>Ministry</u>	<u>JMCT</u>	<u>Eliminations</u>	<u>Total</u>
Website and Bible application development costs, net	\$ 722,696	\$ —	\$ —	\$ 722,696
Prepaid expenses	458,136	24,527	—	482,663
Accounts receivable	<u>35,610</u>	<u>—</u>	<u>—</u>	<u>35,610</u>
Total prepaid expenses and other assets	<u>\$ 1,216,442</u>	<u>\$ 24,527</u>	<u>\$ —</u>	<u>\$ 1,240,969</u>

The estimated useful life of website and Bible application development costs is three years. Amortization expense related to website and Bible application development costs amounted to \$263,548 and \$250,417 during the years ended June 30, 2024 and 2023, respectively.

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment owned by the Ministry consisted of the following:

<u>Category</u>	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Land	\$ 1,309,249	\$ 1,309,249
Buildings and improvements	6,053,124	5,925,315
Furniture and equipment	<u>3,400,244</u>	<u>3,271,089</u>
Total property and equipment	10,762,617	10,505,653
Less: Accumulated depreciation	<u>(6,530,275)</u>	<u>(6,127,904)</u>
Net property and equipment	<u>\$ 4,232,342</u>	<u>\$ 4,377,749</u>

Depreciation expense related to property and equipment amounted to \$615,829 and \$628,368 during the years ended June 30, 2024 and 2023, respectively.

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NOTES TO CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE H – BOARD DESIGNATED AND DONOR RESTRICTED NET ASSETS

JMCT's net assets were board designated for the following purposes:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Legacy Way Publication	\$ 84,068	\$ —
	<u>—</u>	<u>75,000</u>
Total	<u>\$ 84,068</u>	<u>\$ 75,000</u>

The activity for net assets with donor restrictions for JMCT consisted of the following during the year ended June 30, 2024:

	<u>Balance July 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance June 30</u>
The Master's University – chapel project	\$ —	\$ 4,836,292	\$ (3,836,292)	\$ 1,000,000
The Master's Academy International, The Master's Seminary, and The Master's University – scholarships	805,000	—	(805,000)	—
The Master's University – housing	<u>200,000</u>	<u>—</u>	<u>(200,000)</u>	<u>—</u>
Total	<u>\$ 1,005,000</u>	<u>\$ 4,836,292</u>	<u>\$ (4,841,292)</u>	<u>\$ 1,000,000</u>

The activity for net assets with donor restrictions for JMCT consisted of the following during the year ended June 30, 2023:

	<u>Balance July 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance June 30</u>
The Master's Academy International, The Master's Seminary, and The Master's University – scholarships	\$ 702,000	\$ 2,252,000	\$ (2,149,000)	\$ 805,000
The Master's University – housing	—	1,000,000	(800,000)	200,000
Translation and publication	992,000	1,000,000	(1,992,000)	—
The Master's University – strategic initiatives	<u>—</u>	<u>240,000</u>	<u>(240,000)</u>	<u>—</u>
Total	<u>\$ 1,694,000</u>	<u>\$ 4,492,000</u>	<u>\$ (5,181,000)</u>	<u>\$ 1,005,000</u>

During the year ended June 30, 2023, the Ministry granted JMCT \$1,000,000 for translation and publication as described in the chart above. Upon consolidation, the contributions and releases related to the grants were eliminated in the accompanying consolidated statements of activities and any net unpaid amounts of the grants as June 30, 2023 were reclassified to board designated net assets in the accompanying consolidating and consolidated statement of financial position.

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NOTES TO CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE I – RETIREMENT PLAN

The Ministry maintains a 403(b) retirement plan (“the Plan”) for the benefit of its employees. Eligible employees may make elective deferral contributions to the Plan. Employer contributions to the Plan are discretionary. JMCT is a participating employer in the Plan. The Ministry contributed approximately \$537,000 and \$453,000 to the Plan during the years ended June 30, 2024 and 2023, respectively. JMCT contributed approximately \$19,000 and \$17,000 to the Plan during the years ended June 30, 2024 and 2023, respectively.

NOTE J – JOINT COST ALLOCATION

During the years ended June 30, 2024 and 2023, the Ministry incurred joint costs in the approximate amounts of \$8,037,000 and \$8,108,000, respectively, for Bible teaching activities that included fundraising appeals in connection with the Ministry’s exempt purposes. Of those costs, approximately \$7,146,000 and \$7,358,000 were allocated to “program activities” expense, \$551,000 and \$349,000 were allocated to “general and administrative” expense, and \$340,000 and \$401,000, respectively, were allocated to “fundraising” expense in the accompanying consolidating and consolidated statements of activities.

NOTE K – RELATED PARTY TRANSACTIONS

The intellectual property used and sold by the Ministry is licensed to the Ministry by its chairman for such use pursuant to agreements, the terms of which do not require the Ministry to pay royalties or other licensing fees to its chairman.

During the years ended June 30, 2024 and 2023, the Ministry paid approximately \$1,027,000 and \$955,000, respectively, for video production and artwork services to entities controlled by certain of the chairman’s family members.

NOTE L – TRANSACTIONS WITH COOPERATING MINISTRIES

The Organizations cooperate with other entities for which the chairman of the Organizations serves as president or a director. During the years ended June 30, 2024 and 2023, the Ministry made grants to such entities of approximately \$22,561,000 (including \$20,000,000 to JMCT) and \$1,106,000 (including \$1,000,000 to JMCT), respectively. JMCT made grants to or payments on behalf of such entities during the years ended June 30, 2024 and 2023 of approximately \$28,917,000 and \$11,354,000, respectively.