



GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST

CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Grace to You
Valencia, California

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, 2021 and 2020, 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.

Management's Responsibility for the Consolidating and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating and consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidating and consolidated 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 consolidating and consolidated 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 audits to obtain reasonable assurance about whether the consolidating and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organizations' preparation and fair presentation of the consolidating and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' 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 consolidating and consolidated financial statements.

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

Opinion

In our opinion, the 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, 2021 and 2020, the changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Battis Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Plano, Texas
October 12, 2021

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GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST
CONSOLIDATING AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2021

ASSETS				
	Grace to You	John MacArthur Charitable Trust	Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 11,296,658	\$ 3,982,032	\$ —	\$ 15,278,690
Investments	19,750,563	—	—	19,750,563
Inventories	1,282,286	—	—	1,282,286
Prepaid expenses and other assets	1,642,538	38,024	—	1,680,562
Cash surrender value of life insurance	1,092,518	—	—	1,092,518
Property and equipment, net	5,074,990	—	—	5,074,990
Total assets	\$ 40,139,553	\$ 4,020,056	\$ —	\$ 44,159,609
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued expenses	\$ 1,483,444	\$ 6,400	\$ —	\$ 1,489,844
Other liabilities	23,596	—	—	23,596
Total liabilities	1,507,040	6,400	—	1,513,440
NET ASSETS				
Without donor restrictions				
Undesignated	37,740,608	3,761,656	—	41,502,264
Board designated	689,783	102,000	—	791,783
Total net assets without donor restrictions	38,430,391	3,863,656	—	42,294,047
With donor restrictions	202,122	150,000	—	352,122
Total net assets	38,632,513	4,013,656	—	42,646,169
Total liabilities and net assets	\$ 40,139,553	\$ 4,020,056	\$ —	\$ 44,159,609

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 FINANCIAL POSITION
June 30, 2020

ASSETS				
	<u>Grace to You</u>	<u>John MacArthur Charitable Trust</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
ASSETS				
Cash and cash equivalents	\$ 6,248,953	\$ 9,953,485	\$ —	\$ 16,202,438
Investments	10,359,446	—	—	10,359,446
Inventories	1,186,726	—	—	1,186,726
Prepaid expenses and other assets	2,290,196	21,945	(3,160)	2,308,981
Cash surrender value of life insurance	1,049,212	—	—	1,049,212
Property and equipment, net	<u>5,152,728</u>	<u>—</u>	<u>—</u>	<u>5,152,728</u>
Total assets	<u>\$ 26,287,261</u>	<u>\$ 9,975,430</u>	<u>\$ (3,160)</u>	<u>\$ 36,259,531</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued expenses	\$ 1,130,411	\$ 12,688	\$ (3,160)	\$ 1,139,939
Other liabilities	<u>25,395</u>	<u>—</u>	<u>—</u>	<u>25,395</u>
Total liabilities	<u>1,155,806</u>	<u>12,688</u>	<u>(3,160)</u>	<u>1,165,334</u>
NET ASSETS				
Without donor restrictions				
Undesignated	23,996,957	4,570,742	—	28,567,699
Board designated	<u>727,100</u>	<u>5,312,000</u>	<u>—</u>	<u>6,039,100</u>
Total net assets without donor restrictions	24,724,057	9,882,742	—	34,606,799
With donor restrictions	<u>407,398</u>	<u>80,000</u>	<u>—</u>	<u>487,398</u>
Total net assets	<u>25,131,455</u>	<u>9,962,742</u>	<u>—</u>	<u>35,094,197</u>
Total liabilities and net assets	<u>\$ 26,287,261</u>	<u>\$ 9,975,430</u>	<u>\$ (3,160)</u>	<u>\$ 36,259,531</u>

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GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST
CONSOLIDATING AND CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2021

	Grace to You	John MacArthur Charitable Trust	Eliminations	Consolidated Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Public support and revenue				
Contributions	\$ 30,499,314	\$ 7,099,296	\$ —	\$ 37,598,610
Investment income, net	3,775,348	8,748	—	3,784,096
Ministry media sales	2,558,849	—	—	2,558,849
Other revenue	314,078	—	(2,389)	311,689
Net assets released from restrictions	<u>282,490</u>	<u>930,000</u>	<u>—</u>	<u>1,212,490</u>
Total public support and revenue and net assets released from restrictions	<u>37,430,079</u>	<u>8,038,044</u>	<u>(2,389)</u>	<u>45,465,734</u>
Expenses				
Program activities	<u>19,352,065</u>	<u>13,223,210</u>	<u>—</u>	<u>32,575,275</u>
Supporting activities				
General and administrative	3,811,318	240,598	(2,389)	4,049,527
Fundraising	<u>560,363</u>	<u>593,322</u>	<u>—</u>	<u>1,153,685</u>
Total supporting activities	<u>4,371,681</u>	<u>833,920</u>	<u>(2,389)</u>	<u>5,203,212</u>
Total expenses	<u>23,723,746</u>	<u>14,057,130</u>	<u>(2,389)</u>	<u>37,778,487</u>
Change in net assets without donor restrictions	<u>13,706,333</u>	<u>(6,019,086)</u>	<u>—</u>	<u>7,687,247</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	77,215	1,000,000	—	1,077,215
Net assets released from restrictions	<u>(282,490)</u>	<u>(930,000)</u>	<u>—</u>	<u>(1,212,490)</u>
Change in net assets with donor restrictions	<u>(205,275)</u>	<u>70,000</u>	<u>—</u>	<u>(135,275)</u>
CHANGE IN NET ASSETS	13,501,058	(5,949,086)	—	7,551,972
NET ASSETS - Beginning of year	<u>25,131,455</u>	<u>9,962,742</u>	<u>—</u>	<u>35,094,197</u>
NET ASSETS - End of year	<u>\$ 38,632,513</u>	<u>\$ 4,013,656</u>	<u>\$ —</u>	<u>\$ 42,646,169</u>

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GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST
CONSOLIDATING AND CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2020

	Grace to You	John MacArthur Charitable Trust	Eliminations	Consolidated Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Public support and revenue				
Contributions	\$ 25,522,839	\$ 14,637,636	\$ (3,235,636)	\$ 36,924,839
Ministry media sales	1,784,366	—	—	1,784,366
Other revenue	578,864	—	(32,005)	546,859
Investment income, net	128,817	13,293	—	142,110
Net assets released from restrictions	375,092	45,000	—	420,092
Total public support and revenue and net assets released from restrictions	<u>28,389,978</u>	<u>14,695,929</u>	<u>(3,267,641)</u>	<u>39,818,266</u>
Expenses				
Program activities	<u>23,434,305</u>	<u>4,638,750</u>	<u>(3,235,636)</u>	<u>24,837,419</u>
Supporting activities				
General and administrative	3,290,137	95,437	(32,005)	3,353,569
Fundraising	566,702	79,000	—	645,702
Total supporting activities	<u>3,856,839</u>	<u>174,437</u>	<u>(32,005)</u>	<u>3,999,271</u>
Total expenses	<u>27,291,144</u>	<u>4,813,187</u>	<u>(3,267,641)</u>	<u>28,836,690</u>
Change in net assets without donor restrictions	<u>1,098,834</u>	<u>9,882,742</u>	<u>—</u>	<u>10,981,576</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	65,154	125,000	—	190,154
Net assets released from restrictions	(375,092)	(45,000)	—	(420,092)
Change in net assets with donor restrictions	<u>(309,938)</u>	<u>80,000</u>	<u>—</u>	<u>(229,938)</u>
CHANGE IN NET ASSETS	788,896	9,962,742	—	10,751,638
NET ASSETS - Beginning of year	<u>24,342,559</u>	<u>—</u>	<u>—</u>	<u>24,342,559</u>
NET ASSETS - End of year	<u>\$ 25,131,455</u>	<u>\$ 9,962,742</u>	<u>\$ —</u>	<u>\$ 35,094,197</u>

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GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST
CONSOLIDATING AND CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2021

	Grace to You	John MacArthur Charitable Trust	Eliminations	Consolidated Total
OPERATING CASH FLOWS				
Change in net assets	\$ 13,501,058	\$ (5,949,086)	\$ —	\$ 7,551,972
Adjustments to reconcile change in net assets to net operating cash flows				
Depreciation	557,274	—	—	557,274
Amortization	269,326	—	—	269,326
Net investment gain	(3,372,968)	—	—	(3,372,968)
Change in inventories	(95,560)	—	—	(95,560)
Change in prepaid expenses and other assets	651,558	(16,079)	—	635,479
Change in accounts payable and accrued expenses	353,033	(6,288)	—	346,745
Change in other liabilities	(1,799)	—	—	(1,799)
Net operating cash flows	11,861,922	(5,971,453)	—	5,890,469
INVESTING CASH FLOWS				
Purchases of investments	(20,530,175)	—	—	(20,530,175)
Proceeds from sales of investments	14,914,406	—	—	14,914,406
Reinvestment of interest and dividends	(402,380)	—	—	(402,380)
Net increase in cash surrender value of life insurance	(43,306)	—	—	(43,306)
Expenditures for website and Bible application development	(273,226)	—	—	(273,226)
Purchases of and improvements to property and equipment	(479,536)	—	—	(479,536)
Net investing cash flows	(6,814,217)	—	—	(6,814,217)
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,047,705	(5,971,453)	—	(923,748)
CASH AND CASH EQUIVALENTS - Beginning of year	6,248,953	9,953,485	—	16,202,438
CASH AND CASH EQUIVALENTS - End of year	\$ 11,296,658	\$ 3,982,032	\$ —	\$ 15,278,690

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GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST
CONSOLIDATING AND CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2020

	Grace to You	John MacArthur Charitable Trust	Eliminations	Consolidated Total
OPERATING CASH FLOWS				
Change in net assets	\$ 788,896	\$ 9,962,742	\$ —	\$ 10,751,638
Adjustments to reconcile change in net assets to net operating cash flows				
Depreciation	541,875	—	—	541,875
Amortization	221,262	—	—	221,262
Net investment loss	85,059	—	—	85,059
Change in inventories	176,120	—	—	176,120
Change in prepaid expenses and other assets	(1,068,329)	(21,945)	3,160	(1,087,114)
Change in accounts payable and accrued expenses	(66,691)	12,688	(3,160)	(57,163)
Change in other liabilities	(212,252)	—	—	(212,252)
Net operating cash flows	465,940	9,953,485	—	10,419,425
INVESTING CASH FLOWS				
Purchases of investments	(12,337,128)	—	—	(12,337,128)
Proceeds from sales of investments	11,809,971	—	—	11,809,971
Reinvestment of interest and dividends	(244,094)	—	—	(244,094)
Net increase in cash surrender value of life insurance	(57,287)	—	—	(57,287)
Expenditures for website and Bible application development	(350,273)	—	—	(350,273)
Purchases of and improvements to property and equipment	(671,766)	—	—	(671,766)
Net investing cash flows	(1,850,577)	—	—	(1,850,577)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,384,637)	9,953,485	—	8,568,848
CASH AND CASH EQUIVALENTS - Beginning of year	7,633,590	—	—	7,633,590
CASH AND CASH EQUIVALENTS - End of year	\$ 6,248,953	\$ 9,953,485	\$ —	\$ 16,202,438

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 FUNCTIONAL EXPENSES
For The Year Ended June 30, 2021

	Grace to You				John MacArthur Charitable Trust				Eliminations	Consolidated Total
	Supporting activities				Supporting activities					
	Program activities	General and administrative	Fundraising	Total	Program activities	General and administrative	Fundraising	Total		
Resources distributed free of charge and ministry support	\$ 3,293,601	\$ 202,838	\$ 166,469	\$ 3,662,908	\$ 13,223,210	\$ —	\$ —	\$ 13,223,210	\$ —	\$ 16,886,118
Payroll and benefits	6,017,625	2,477,750	198,997	8,694,372	—	7,224	137,250	144,474	—	8,838,846
Radio	5,356,574	—	52,413	5,408,987	—	—	—	—	—	5,408,987
Building, equipment, and occupancy costs	1,593,975	275,531	19,078	1,888,584	—	—	—	—	—	1,888,584
Costs of resources sold	1,530,000	3,348	—	1,533,348	—	—	—	—	—	1,533,348
Printing	623,379	117,360	109,328	850,067	—	—	284,827	284,827	—	1,134,894
Other	20,436	691,606	11,410	723,452	—	233,374	98,648	332,022	(2,389)	1,053,085
Television	860,146	—	1,377	861,523	—	—	—	—	—	861,523
Conferences and travel	56,329	42,885	1,291	100,505	—	—	72,597	72,597	—	173,102
Total expenses	\$ 19,352,065	\$ 3,811,318	\$ 560,363	\$ 23,723,746	\$ 13,223,210	\$ 240,598	\$ 593,322	\$ 14,057,130	\$ (2,389)	\$ 37,778,487

The Accompanying Notes are an Integral
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GRACE TO YOU
JOHN MACARTHUR CHARITABLE TRUST
CONSOLIDATING AND CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2020

	Grace to You				John MacArthur Charitable Trust				Eliminations	Consolidated Total
	Supporting activities				Supporting activities					
	Program activities	General and administrative	Fundraising	Total	Program activities	General and administrative	Fundraising	Total		
Resources distributed free of charge and ministry support	\$ 7,953,740	\$ 208,720	\$ 159,942	\$ 8,322,402	\$ 4,638,750	\$ —	\$ —	\$ 4,638,750	\$ (3,235,636)	\$ 9,725,516
Payroll and benefits	5,078,751	2,027,647	169,988	7,276,386	—	—	—	—	—	7,276,386
Radio	5,347,668	—	51,855	5,399,523	—	—	—	—	—	5,399,523
Building, equipment, and occupancy costs	1,582,298	257,703	16,762	1,856,763	—	—	—	—	—	1,856,763
Printing	779,535	149,857	131,111	1,060,503	—	2,724	—	2,724	—	1,063,227
Costs of resources sold	1,053,274	2,492	—	1,055,766	—	—	—	—	—	1,055,766
Television	850,202	—	1,377	851,579	—	—	—	—	—	851,579
Conferences and travel	769,408	37,505	4,187	811,100	—	—	—	—	—	811,100
Other	19,429	606,213	31,480	657,122	—	92,713	79,000	171,713	(32,005)	796,830
Total expenses	\$ 23,434,305	\$ 3,290,137	\$ 566,702	\$ 27,291,144	\$ 4,638,750	\$ 95,437	\$ 79,000	\$ 4,813,187	\$ (3,267,641)	\$ 28,836,690

The Accompanying Notes are an Integral
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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.

The Master’s Grace Fund (“TMGF”) 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 TMGF. 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 TMGF. TMGF commenced operations during the year ended June 30, 2020. During the year ended June 30, 2021, TMGF changed its name from The Master’s Grace Fund to John MacArthur Charitable Trust (“JMCT”).

References to “the Organizations” in these footnotes include both the Ministry and JMCT.

All significant interorganization transactions have been eliminated in consolidation.

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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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 market using the first-in, first-out inventory 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 Organizations are exempt from federal income tax as organizations described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. The Organizations are further classified as public charities and not private foundations for federal tax purposes. Neither entity has 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.

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 scholarships and grants. 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.

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.

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JOHN MACARTHUR CHARITABLE TRUST
NOTES TO CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

New accounting pronouncement

Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606) is effective for the consolidating and consolidated financial statements for the year ended June 30, 2021. The ASU generally applies to organizations that enter into contracts with customers to transfer goods or services and establishes a performance obligation to revenue recognition. The adoption of the ASU had no effect on the consolidating or consolidated net assets as of July 1, 2019, or the consolidating or consolidated changes in net assets for the years ended June 30, 2021 and 2020.

Economic uncertainties

In January 2020, the World Health Organization (“WHO”) announced a global health emergency related to the outbreak of a virus originating in China. In March 2020, WHO elevated the classification of the outbreak to a pandemic (“the pandemic”). The pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability in financial markets. Management is closely monitoring the potential impact of the pandemic on the Organizations’ financial condition because the impact on global commerce is unknown. However, management believes that the Organizations are well-situated to endure a prolonged market downturn.

Reclassifications

Certain amounts included in the consolidating and consolidated financial statements as of and for the year ended June 30, 2020 have been reclassified to conform to classifications adopted during the year ended June 30, 2021. 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 independent auditor’s report, 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, 2021 consolidating and consolidated statement of financial position are as follows:

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NOTES TO CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE C - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Financial assets available:

	<u>Ministry</u>	<u>JMCT</u>	<u>Eliminations</u>	<u>Total</u>
Cash and cash equivalents	\$ 11,296,658	\$ 3,982,032	\$ —	\$ 15,278,690
Investments	19,750,563	—	—	19,750,563
Accounts receivable (included in "prepaid expenses and other assets")	<u>148,974</u>	<u>—</u>	<u>—</u>	<u>148,974</u>
Total financial assets available within one year	31,196,195	3,982,032	—	35,178,227
Less amounts unavailable for general expenditure within one year due to amounts held subject to board designations	<u>(689,783)</u>	<u>(102,000)</u>	<u>—</u>	<u>(791,783)</u>
Total	<u>\$ 30,506,412</u>	<u>\$ 3,880,032</u>	<u>\$ —</u>	<u>\$ 34,386,444</u>

Financial assets available for general expenditure within one year of the date of the June 30, 2020 consolidating and consolidated statement of financial position are as follows:

Financial assets available:

	<u>Ministry</u>	<u>JMCT</u>	<u>Eliminations</u>	<u>Total</u>
Cash and cash equivalents	\$ 6,248,953	\$ 9,953,485	\$ —	\$ 16,202,438
Investments	10,359,446	—	—	10,359,446
Accounts receivable (included in "prepaid expenses and other assets")	<u>85,404</u>	<u>—</u>	<u>(3,160)</u>	<u>82,244</u>
Total financial assets available within one year	16,693,803	9,953,485	(3,160)	26,644,128
Less amounts unavailable for general expenditure within one year due to amounts held subject to board designations	<u>(727,100)</u>	<u>(5,312,000)</u>	<u>—</u>	<u>(6,039,100)</u>
Total	<u>\$ 15,966,703</u>	<u>\$ 4,641,485</u>	<u>\$ (3,160)</u>	<u>\$ 20,605,028</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, 2021 and 2020, the Ministry's Board of Directors have designated certain amounts to support Russian translation work and JMCT's Board of Directors have designated certain amounts for scholarships and grants. 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 donor-restricted assets that are available for general expenditure within one year, because the restrictions on 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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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, 2021 and 2020, all of the Ministry’s investments were held by one custodian.

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 Ministry’s nontraditional investment consists of an interest in a fund invested in private equity, infrastructure, and other private asset investments. The real estate investment trust holding consists of an investment 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.

Estimated fair value of the Ministry’s assets measured on a recurring basis as of June 30, 2021 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	\$ 7,134,823	\$ 7,134,823	\$ —	\$ —
International	6,338,122	6,338,122	—	—
Fixed income	2,051,924	2,051,924	—	—
U.S. small cap	1,171,795	1,171,795	—	—
Other	<u>425,209</u>	<u>425,209</u>	<u>—</u>	<u>—</u>
Subtotal	17,121,873	17,121,873	—	—

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NOTE E – FAIR VALUE MEASUREMENTS (Continued)

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income	\$ 1,080,267	\$ 1,080,267	\$ —	\$ —
Nontraditional investment	864,321	—	—	864,321
Real estate investment trust	<u>684,102</u>	<u>—</u>	<u>—</u>	<u>684,102</u>
Total	<u>\$ 19,750,563</u>	<u>\$ 18,202,140</u>	<u>\$ —</u>	<u>\$ 1,548,423</u>

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

Balance, July 1, 2020	\$ —
Purchases	1,455,000
Net gain	<u>93,423</u>
Balance June 30, 2021	<u>\$ 1,548,423</u>

Estimated fair value of the Ministry's assets measured on a recurring basis as of June 30, 2020 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	\$ 3,799,850	\$ 3,799,850	\$ —	\$ —
International	3,731,304	3,731,304	—	—
Fixed income	923,724	923,724	—	—
U.S. small cap	<u>565,563</u>	<u>565,563</u>	<u>—</u>	<u>—</u>
Subtotal	9,020,441	9,020,441	—	—
Fixed income	1,035,171	1,035,171	—	—
Other	<u>303,834</u>	<u>303,834</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 10,359,446</u>	<u>\$ 10,359,446</u>	<u>\$ —</u>	<u>\$ —</u>

NOTE F – PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets as of June 30, 2021 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	\$ 770,397	\$ —	\$ —	\$ 770,397
Prepaid expenses	723,167	38,024	—	761,191
Accounts receivable	<u>148,974</u>	<u>—</u>	<u>—</u>	<u>148,974</u>
Total prepaid expenses and other assets	<u>\$ 1,642,538</u>	<u>\$ 38,024</u>	<u>\$ —</u>	<u>\$ 1,680,562</u>

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NOTES TO CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS

NOTE F – PREPAID EXPENSES AND OTHER ASSETS (Continued)

Prepaid expenses and other assets as of June 30, 2020 consisted of the following:

<u>Category</u>	<u>Ministry</u>	<u>JMCT</u>	<u>Eliminations</u>	<u>Total</u>
Prepaid expenses	\$ 1,438,296	\$ 21,945	\$ —	\$ 1,460,241
Website and Bible application development costs, net	766,496	—	—	766,496
Accounts receivable	<u>85,404</u>	<u>—</u>	<u>(3,160)</u>	<u>82,244</u>
 Total prepaid expenses and other assets	 <u>\$ 2,290,196</u>	 <u>\$ 21,945</u>	 <u>\$ (3,160)</u>	 <u>\$ 2,308,981</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 \$269,326 and \$221,262 during the years ended June 30, 2021 and 2020, respectively.

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Land	\$ 1,309,249	\$ 1,309,249
Buildings and improvements	5,837,060	5,829,810
Furniture and equipment	<u>3,184,850</u>	<u>2,712,562</u>
 Total property and equipment	 10,331,159	 9,851,621
 Less: Accumulated depreciation	 <u>(5,256,169)</u>	 <u>(4,698,893)</u>
 Net property and equipment	 <u>\$ 5,074,990</u>	 <u>\$ 5,152,728</u>

Depreciation expense related to property and equipment amounted to \$557,274 and \$541,875 during the years ended June 30, 2021 and 2020, respectively.

NOTE H – 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. The Ministry contributed approximately \$350,000 and \$346,000 to the Plan during the years ended June 30, 2021 and 2020, respectively.

NOTE I – JOINT COST ALLOCATION

During the years ended June 30, 2021 and 2020, the Ministry incurred joint costs in the approximate amounts of \$7,533,000 and \$7,508,000, respectively, for Bible teaching activities that included fundraising appeals in connection with the Ministry’s exempt purposes. Of those costs, approximately \$6,900,000 and \$6,837,000 were allocated to “program activities” expense, \$304,000 and \$330,000 were allocated to “general and administrative” expense, and \$329,000 and \$341,000, respectively, were allocated to “fundraising” expense in the accompanying consolidating and consolidated statements of activities.

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NOTE J – 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, 2021 and 2020, the Ministry paid approximately \$789,000 and \$790,000, respectively, for video production and artwork services to entities controlled by certain of the chairman's family members.

NOTE K – 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, 2021 and 2020, the Ministry made grants to such entities of \$42,000 and \$5,134,000, respectively (including approximately \$3,236,000 to JMCT during the year ended June 30, 2020). JMCT made grants to such entities during the years ended June 30, 2021 and 2020 of approximately \$13,048,000 and \$4,639,000, respectively.