

**BILLY GRAHAM EVANGELISTIC ASSOCIATION
AND CONSOLIDATED ORGANIZATIONS**

CONSOLIDATED FINANCIAL STATEMENTS

***As of and for the Year Ended December 31, 2018 with
Comparative Totals for the Year Ended December 31, 2017***

And Report of Independent Auditor

BILLY GRAHAM EVANGELISTIC ASSOCIATION AND CONSOLIDATED ORGANIZATIONS

Mission Statement

Continuing the lifelong work of Billy Graham, the Billy Graham Evangelistic Association exists to support and extend the evangelistic calling and ministry of Franklin Graham by proclaiming the Gospel of the Lord Jesus Christ to all we can by every effective means available to us and by equipping the church and others to do the same.



Always Good News.

**Billy Graham Evangelistic Association
and Consolidated Organizations**

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Report of Independent Auditor

To the Board of Directors
Billy Graham Evangelistic Association
Charlotte, North Carolina

We have audited the accompanying consolidated financial statements of Billy Graham Evangelistic Association and Consolidated Organizations (collectively referred to as the "Association") which comprise the consolidated statement of financial position as of December 31, 2018 and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Billy Graham Evangelistic Association and Consolidated Organizations as of December 31, 2018 and the consolidated changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Changes in Consolidated Financial Statement Presentation

As discussed in Note 1, the Organization adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Association's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 26, 2018. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited statements from which it has been derived.

Cherry Bekaert LLP

Charlotte, North Carolina

April 1, 2019

**Billy Graham Evangelistic Association
and Consolidated Organizations**

**Consolidated Statement of Financial Position
December 31, 2018 with Comparative Totals for 2017**

	2018	2017
Assets		
Cash and cash equivalents	\$ 40,022,876	\$ 33,172,394
Accounts receivable, net	3,026,177	4,189,844
Contributions receivable, net	2,079,876	1,232,710
Inventories	554,446	498,968
Prepaid expenses and other current assets	<u>2,331,148</u>	<u>1,315,138</u>
	48,014,523	40,409,054
Property and equipment, net of accumulated depreciation	<u>55,068,472</u>	<u>55,556,126</u>
Investments:		
Investments functioning as endowments	201,245,996	209,683,278
Other long-term investments	25,176,978	20,473,200
Deferred giving program	<u>88,118,295</u>	<u>92,878,599</u>
	314,541,269	323,035,077
Beneficial interest in remainder trusts	<u>2,363,890</u>	<u>2,560,210</u>
Other assets	<u>1,926,800</u>	<u>1,976,800</u>
Total assets	\$ 421,914,954	\$ 423,537,267
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 2,725,511	\$ 3,123,285
Accrued expenses	2,791,348	2,739,578
Deferred revenue	2,333,899	2,076,331
Deferred giving program	<u>65,535,396</u>	<u>67,866,379</u>
Total liabilities	73,386,154	75,805,573
Net assets:		
Without donor restriction:		
Charitable gift annuities	17,023,687	17,850,211
Undesignated	56,036,011	45,970,916
Investment in property and equipment	55,068,472	55,556,126
Designated by the governing board for endowment	<u>178,550,434</u>	<u>192,402,865</u>
Total without donor restrictions	306,678,604	311,780,118
With donor restriction:		
Purpose restrictions	11,156,463	10,820,734
Time-restricted for future periods	10,921,114	12,397,442
Perpetual in nature	19,772,619	12,733,400
Total with donor restrictions	<u>41,850,196</u>	<u>35,951,576</u>
Total net assets	348,528,800	347,731,694
Total liabilities and net assets	\$ 421,914,954	\$ 423,537,267

The accompanying notes to the consolidated financial statements are an integral part of this statement.

**Billy Graham Evangelistic Association
and Consolidated Organizations**

**Consolidated Statement of Activities
For the Year Ended December 31, 2018 with Summarized Comparative Totals for 2017**

	2018			2017 Total
	Without Donor Restriction	With Donor Restriction	Total	
Operating activities				
Support and revenue:				
Contributions	\$ 84,638,778	\$ 29,295,240	\$ 113,934,018	\$ 92,875,743
Billy Graham Training Center	7,569,305	-	7,569,305	7,141,343
<i>Decision</i> magazine and other evangelistic materials	2,288,840	-	2,288,840	1,624,337
Other income	9,920,903	-	9,920,903	6,708,936
Net assets released from restrictions	21,028,151	<u>(21,028,151)</u>	-	-
Total support and revenue	<u>125,445,977</u>	<u>8,267,089</u>	<u>133,713,066</u>	<u>108,350,359</u>
Operating expenses:				
Ministry expenses:				
Evangelistic crusades	20,484,900	-	20,484,900	14,114,624
Decision America	13,122,493	-	13,122,493	8,754,490
Billy Graham Training Center	11,340,151	-	11,340,151	11,198,294
Billy Graham Library	7,642,487	-	7,642,487	7,512,232
Print and internet	6,028,366	-	6,028,366	6,097,117
Radio	5,790,861	-	5,790,861	6,499,229
<i>Search for Jesus</i>	5,649,723	-	5,649,723	5,210,626
<i>Decision</i> magazine	4,989,365	-	4,989,365	4,218,921
Church ministry	4,390,168	-	4,390,168	4,661,733
Rapid Response Team	3,857,037	-	3,857,037	3,637,621
Television and film	3,115,157	-	3,115,157	2,387,759
Other evangelistic ministry	15,106,648	-	15,106,648	16,510,235
Total ministry expenses	<u>101,517,356</u>	-	<u>101,517,356</u>	<u>90,802,881</u>
Support activities:				
Fundraising	6,861,079	-	6,861,079	6,149,156
General and administrative	11,978,570	-	11,978,570	10,260,890
Total operating expenses	<u>120,357,005</u>	-	<u>120,357,005</u>	<u>107,212,927</u>
Change in net assets from operations	<u>5,088,972</u>	<u>8,267,089</u>	<u>13,356,061</u>	<u>1,137,432</u>
Nonoperating activities				
Investment return	(10,386,650)	(1,279,229)	(11,665,879)	24,279,261
Change in value of annuities and trusts	38,702	(1,202,669)	(1,163,967)	4,966,029
Other nonoperating income (loss)	157,462	113,429	270,891	(106,585)
Total nonoperating activities	<u>(10,190,486)</u>	<u>(2,368,469)</u>	<u>(12,558,955)</u>	<u>29,138,705</u>
Change in net assets	(5,101,514)	5,898,620	797,106	30,276,137
Net assets at beginning of year	311,780,118	35,951,576	347,731,694	317,455,557
Net assets at end of year	<u>\$ 306,678,604</u>	<u>\$ 41,850,196</u>	<u>\$ 348,528,800</u>	<u>\$ 347,731,694</u>

**Billy Graham Evangelistic Association
and Consolidated Organizations**

**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2018 with Comparative Totals for 2017**

	2018	2017
Operating activities		
Change in net assets	\$ 797,106	\$ 30,276,137
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization expense	4,968,414	5,602,632
Reinvested dividends and interest income	(8,756,862)	(5,381,288)
Realized gains on sale of investments	(2,340,753)	(1,773,876)
Unrealized losses (gains) on investments	22,837,041	(18,406,923)
Change in value of annuities and trusts	1,163,967	(4,966,029)
Gift portion of new annuities and trusts	(1,728,039)	(819,551)
Donations of real estate and mortgage deeds receivable	(7,322,300)	(534,635)
Donations of beneficial interest in remainder trust	14,684	150,160
Contributions restricted for endowment	(7,035,445)	(460,957)
Net losses on sale of fixed assets and donated real estate	33,044	8,540
Changes in operating assets and liabilities:		
Decrease in receivables, net of allowances	316,501	4,185,729
Increase in inventories, prepaid expenses, and other assets	(1,021,488)	(408,070)
Decrease in accounts payable, accrued expenses, and deferred revenue	(88,436)	(1,679,391)
Net cash from operating activities	<u>1,837,434</u>	<u>5,792,478</u>
Investing activities		
Purchases of investments	(14,308,343)	(14,041,140)
Proceeds from sales of investments	12,293,236	7,344,350
Purchases of fixed assets	(2,731,946)	(3,779,097)
Additions to other assets	-	(7,381)
Proceeds from the sale of fixed assets and donated real estate	79,211	663,535
Net cash from investing activities	<u>(4,667,842)</u>	<u>(9,819,733)</u>
Financing activities		
Contributions restricted for endowment	7,035,445	460,957
Investment income	3,000,173	1,693,728
Proceeds from beneficial interest in remainder trusts	181,636	13,327
Proceeds from deferred giving program contracts	3,954,687	2,360,370
Payments of deferred giving program contracts	(4,491,051)	(4,151,249)
Net cash from financing activities	<u>9,680,890</u>	<u>377,133</u>
Increase (decrease) in cash and cash equivalents	6,850,482	(3,650,122)
Cash and cash equivalents at beginning of year	<u>33,172,394</u>	<u>36,822,516</u>
Cash and cash equivalents at end of year	<u>\$ 40,022,876</u>	<u>\$ 33,172,394</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.

Billy Graham Evangelistic Association and Consolidated Organizations

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018 with Comparative Totals for 2017

1. Significant Accounting Policies

Description of Ministry

Continuing the lifelong work of Billy Graham, the Billy Graham Evangelistic Association exists to support and extend the evangelistic calling and ministry of Franklin Graham by proclaiming the Gospel of the Lord Jesus Christ to all we can by every effective means available to us and by equipping the church and others to do the same.

Jesus said, “For God so loved the world that He gave His only begotten Son, that whoever believes in Him should not perish but have everlasting life. For God did not send His Son into the world to condemn the world, but that the world through Him might be saved” (John 3:16-17). At the core of the Ministry is the belief that mankind has been separated from God by sin and our only hope of salvation comes from the atoning sacrifice of God’s Son, Jesus Christ. The Bible tells us, “All have sinned and come short of the glory of God” (Romans 3:23) and “the wages of sin is death, but the gift of God is eternal life through Jesus Christ our Lord” (Romans 6:23). Jesus took our sins upon Himself, suffered and died on a cross. He took our sins to the grave, and on the third day, God raised His Son to life. Through His death and resurrection, Jesus became the way for man to be reconciled to God. Jesus said, “I am the way, the truth, and the life. No one comes to the Father except through Me” (John 14:6).

God’s Word commands His followers to take this Good News to the ends of the earth and make disciples of all nations (Matthew 28:19-20). People who choose to remain in their sins will be separated from God forever. But those who put their faith and trust in what Jesus Christ has done will be saved by God’s grace. “If you confess with your mouth the Lord Jesus and believe in your heart that God has raised Him from the dead, you will be saved” (Romans 10:9).

If you would like to receive God’s free gift of salvation, you can pray a prayer like this: “Dear God, I know that I am a sinner. I want to turn from my sins, and I ask for Your forgiveness. I believe by faith that Jesus Christ is Your Son. I believe He died for my sins and that You raised Him to life. I want Him to come into my heart and to take control of my life. I want to trust Jesus as my Savior and follow Him as my Lord from this day forward. In Jesus’ Name, amen.”

Support is received primarily through contributions and deferred giving programs. Major evangelistic opportunities include but are not limited to:

Evangelistic Crusades:

The Association partners with local churches to proclaim the clear Gospel message at domestic and international events to lost and hurting people and calls them to repentance and hope in Jesus Christ.

Decision America:

During this tour of 17 strategic cities across California and the Pacific Northwest, crowds were led in prayer for their community, their state, and our nation. Believers were challenged to take a bold stand for Biblical truth, and nonbelievers were called to respond in repentance and faith to the transforming message of God’s grace.

Billy Graham Evangelistic Association and Consolidated Organizations

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018 with Comparative Totals for 2017

1. Significant Accounting Policies (continued)

Billy Graham Training Center:

The Cove continues to train believers in God's Word to win others to Christ. Believers are equipped through Biblical instruction, inspiration, intercession, and impact in an environment that offers opportunities for retreat, rest, relaxation, and renewal.

Billy Graham Library:

The Library is a living ministry in Charlotte, N.C., that is free and open to the public. Lives are transformed daily as visitors encounter the love of Christ through the story of Billy Graham's life. During 2018, the Library welcomed many visitors coming to pay respects to the life and ministry of Billy Graham. Visitors hear the Good News proclaimed throughout the Library exhibits and many have responded by surrendering their lives to Jesus Christ in repentance and faith.

Media Ministries:

Our interactive Search for Jesus websites, television, radio and *Decision* magazine are reaching millions of people with the Gospel. Individuals in virtually every country on earth have the opportunity to hear the Good News and speak with trained individuals to explore the message of God's grace.

Rapid Response Team:

This international network of volunteer chaplains is trained specifically to care for people's spiritual and emotional needs in crisis situations. They deploy to communities traumatized by natural disasters, civil unrest, or violence.

Principles of Consolidation

The consolidated financial statements include the Billy Graham Evangelistic Association (a North Carolina corporation) and the following other consolidated organizations (collectively referred to herein as "the Association"): BGEA, MN; Blue Ridge Broadcasting Corporation; Cove Endowment Trust Fund; Billy Graham Library Endowment Trust Fund; Graham Fund for Evangelism; BGEA Pte. Ltd.; Illusion Properties, S. A.; and Billy Graham Evangelistic Association of Korea. In accordance with United States generally accepted accounting principles ("GAAP") pertaining to consolidation, management annually evaluates which entities should be consolidated for financial statement presentation purposes.

The consolidated organizations strengthen the ministries of the Association and share the same goals and purposes. All significant intercompany accounts and transactions have been eliminated.

Comparative Summarized Information

The financial statements include certain summarized prior year comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Billy Graham Evangelistic Association and Consolidated Organizations

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018 with Comparative Totals for 2017

1. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents included in investments functioning as endowment, investments in the deferred giving program, and funds designated for long term purposes are not considered cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at cost less an allowance for doubtful accounts, if necessary. Management's determination of the allowance for doubtful accounts is based on an evaluation of the receivable, past experience and current economic conditions. It is the Association's policy to charge off uncollectible accounts receivable when management determines that receivable will not be collected. The allowance for doubtful accounts was \$39,238 at December 31, 2018 and 2017.

Inventories

Inventories are products for sale stated at the lower of cost or net realizable value.

Property and Equipment

Land is stated at cost. Buildings, improvements, and equipment are stated at cost less accumulated depreciation. Monthly depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally twenty to thirty years for buildings and building improvements and three to eight years for vehicles, furniture, fixtures, and equipment. Costs of new facilities and improvements are capitalized, while maintenance and repairs are charged to expense in the period incurred.

Collections

The Association's collections are made up of artifacts of historical significance to the ministry. The collections were gifted, donated, or on loan and are not recognized as assets in the consolidated statement of financial position or as contributions in the consolidated statement of activities.

Investments

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investments. Alternative investments are carried at fair value based upon the net asset value or its equivalent. Real estate, mineral interests and other investments are reported at fair value measured on a non-recurring basis based upon market appraisals at the time of the gift. Investment return is included in the change in net assets without donor restriction unless the return is restricted by the donor.

Billy Graham Evangelistic Association and Consolidated Organizations

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018 with Comparative Totals for 2017

1. Significant Accounting Policies (continued)

Beneficial Interests in Remainder Trusts

Beneficial interests in remainder trusts are carried at their estimated fair value. Fair value is estimated based upon underlying assets which approximate the discounted value of the anticipated cash flows or based upon their estimated fair value of the assets contributed to the trust less estimated costs expected.

Deferred Giving Program

The Association has a fully funded program whereby deferred gifts can be made through gift annuity and trust participation.

All gift annuity fund assets are held in trust, placed with a bank as custodian, and managed by investment management companies. Various state laws require that the Association maintain segregated accounts with assets equal in amount to the actuarial reserve necessary to pay the annuities plus an additional reserve. Some state laws also establish specific investment regulations related to the manner in which the assets are invested. Trust assets are held and managed by the Association.

The Association records assets received in the deferred giving program at fair value. Liabilities are recorded at the present value of payments to be made under annuity and irrevocable trust agreements over the term of the agreements, usually the beneficiaries' life expectancy. For annuities and trusts, the present value calculation used a 2.60% and 2.40% discount rate in 2018 and 2017, respectively. Revaluations of expected future payments to beneficiaries based on changes in life expectancy are calculated using mortality tables as well as other actuarial assumptions and are recorded as a change in value of annuities and trusts in the statement of activities. The contribution portion is recognized as income at the time the agreement is executed. Revocable trust agreements are recorded as a liability until the agreement becomes irrevocable or the assets are distributed, at which time the contribution revenue is recognized.

The Association is also named as a beneficiary in revocable trusts and wills that are not managed by the Association. These assets are not included in the statement of financial position, as the Association's share of these assets cannot be determined.

Deferred Revenue

The subscription price of *Decision* magazine is charged to unearned subscriptions when received and is amortized to income over an 11-month period.

Revenue Recognition

The Association records contributions as restricted support if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, restricted net assets are reclassified to without donor restriction net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Billy Graham Evangelistic Association and Consolidated Organizations

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018 with Comparative Totals for 2017

1. Significant Accounting Policies (continued)

The Board of Directors has established a policy that up to 10% of all donor-restricted contributions for a specific project may be used for administering the gift, if needed.

Net Asset Classifications

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions include charitable gift annuities, investment in property and equipment and governing board designated endowments.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donated Volunteer Services

The Association received contributed services from approximately 14,680 individual volunteers in 2018 and 20,035 individuals in 2017. The Association recorded the value of approximately 80 and 35 of those volunteers for the years ended December 31, 2018 and 2017, respectively. The value of contributed services recorded by the Association amounted to approximately \$104,000 in 2018 and \$26,000 in 2017. The recorded value is determined based on hours of service donated at federal minimum wage and is reported both as revenue and expense in the period the service is performed.

The approximate remaining 14,600 volunteers in 2018 and 20,000 in 2017 performed services which are not reflected in the consolidated financial statements as the services did not require specialized skills as specified by GAAP pertaining to accounting for contributions received and contributions made. These services are estimated to be valued at \$3,108,000 in 2018 and \$3,281,000 in 2017.

Costs related to recruiting volunteers, who contribute their services and time, are classified as fundraising activity expenses in the consolidated statement of activities.

Advertising Costs

The Association expenses advertising costs as incurred. For the years ended December 31, 2018 and 2017, advertising costs totaling approximately \$5,988,000 and \$5,122,000, respectively, related primarily to television airtime to promote airing of evangelistic broadcasts, evangelistic crusades, internet evangelism, other ministry initiatives and related materials.

Billy Graham Evangelistic Association and Consolidated Organizations

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018 with Comparative Totals for 2017

1. Significant Accounting Policies (continued)

Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional basis in the statement of activities. The schedule of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expense that are attributable to one or more program or supporting function of the Association. These expenses include depreciation, communications, media production, information technology and facilities operations and maintenance. Depreciation is allocated based on square footage and usage of space. Cost of other categories are allocated on estimate of time and effort.

Allocation of Joint Costs

In 2018, the ministry conducted activities that included requests for contributions, as well as ministry and general and administrative components. Those activities included print communications and broadcast productions. The costs of conducting those activities included a total of \$20,443,430 and \$18,287,949 of joint costs for 2018 and 2017, respectively. These joint costs are not specifically attributable to particular components of the activities and were allocated as follows:

	2018	2017
Ministry	\$ 17,730,489	\$ 15,893,514
Fundraising	1,790,774	1,606,282
General and administrative	922,167	788,153
	<u>\$ 20,443,430</u>	<u>\$ 18,287,949</u>

Income Taxes

The Association, excluding foreign consolidated organizations, is exempt from federal income taxes, and contributions to it are deductible as charitable contributions under Internal Revenue Code Section 170. Any unrelated business income may be subject to taxation; however, the Association currently does not have an obligation for any unrelated business income tax.

The Internal Revenue Service has determined that the Association qualifies for tax-exempt status under Internal Revenue Code Section 501(c)(3); that it is not a private foundation, and that it is classified as a public charity as described in 509(a)(1) and 170(b)(1)(A)(i). The Association is not required to file IRS Form 990, annual information return, under Internal Revenue Code Section 6033.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Billy Graham Evangelistic Association and Consolidated Organizations

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018 with Comparative Totals for 2017

1. Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

New Pronouncement

For the year ended December 31, 2018, the Association adopted ASU 2016-14 Presentation of Financial Statements of Not-for-Profit Entities. This update simplifies net asset classification and provides guidance on the presentation of information regarding liquidity and availability. The Association has adjusted the presentation of these consolidated statements accordingly.

2. Liquidity and Availability

The following reflects the Association's financial assets as of December 31, 2018, reduced by amounts not available for general use due to contractual, donor imposed restrictions, or board designations within one year of the statement of financial position.

Financial assets, at year-end:

Cash and cash equivalents	\$ 40,022,876
Accounts receivable, net	3,026,177
Contributions receivable, net	2,079,876
Investments	314,541,269
Beneficial interest in remainder trusts	2,363,890
Total financial assets	<u>362,034,088</u>

Less those unavailable for general expenditures within one year, due to:

Donor-imposed restrictions:

Restricted by donor with time and purpose restrictions, net of 2019 projected release	31,390,226
Subject to appropriation and satisfaction of donor restrictions	3,060,037
Investments held for planned giving obligations	88,118,295
Other long-term investments	25,176,978
Board designations	
Investments functioning as endowments, net of spending plan	175,747,434
Financial assets unavailable for general expenditure within one year	<u>323,492,970</u>

Financial assets available to meet cash needs for general expenditures within one year

\$ 38,541,118

Billy Graham Evangelistic Association and Consolidated Organizations

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018 with Comparative Totals for 2017

2. Liquidity and Availability (continued)

The Billy Graham Evangelistic Association is substantially supported by contributions without donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Association must maintain sufficient resources to meet those responsibilities to its donors.

The Cove's board designated endowment is subject to an annual spending plan based upon capital and operating needs as described in Note 8. An amount up to the 2019 approved budget of \$2,803,000 is available as needed.

As part of the Association's liquidity management, it has implemented a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Association invests cash in excess of daily requirements in short term investments.

The financial assets available to meet cash needs as represented above are equal to approximately four months of the Association's annual operating expenses. This is common and reasonable to ensure long term ministry impact.

3. Contributions Receivable

Contributions receivable consists of the following as of December 31:

	2018	2017
Contributions receivable	\$ 2,083,308	\$ 1,237,000
Less discount and allowance	3,432	4,290
Net contributions receivable	\$ 2,079,876	\$ 1,232,710
Amounts due in:		
Less than one year	\$ 2,028,308	\$ 995,000
One to five years	55,000	227,000
Over five years	-	15,000
	\$ 2,083,308	\$ 1,237,000

Approximately \$2,000,000 and \$1,200,000 of the net contributions receivable relate to bequests as of December 31, 2018 and 2017, respectively.

**Billy Graham Evangelistic Association
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**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2018 with Comparative Totals for 2017**

4. Property and Equipment

A summary of property and equipment and related accumulated depreciation at December 31 is as follows:

	2018	2017
Land and improvements	\$ 17,794,560	\$ 16,983,101
Buildings and improvements:		
Billy Graham Training Center	35,517,119	34,146,858
Billy Graham Library	17,986,268	17,956,324
Headquarters and other	38,622,026	37,496,731
Equipment, furniture, and fixtures	<u>52,886,034</u>	<u>49,498,288</u>
Total	<u>162,806,007</u>	<u>156,081,302</u>
Less accumulated depreciation	<u>107,920,581</u>	<u>104,368,113</u>
	<u>54,885,426</u>	<u>51,713,189</u>
Construction in progress	183,046	3,842,937
Net property and equipment	<u>\$ 55,068,472</u>	<u>\$ 55,556,126</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was approximately \$4,968,000 and \$5,603,000, respectively.

The Association records losses on property and equipment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no property and equipment impairments in 2018 or 2017.

5. Investments

Investments are composed of the following:

	2018	2017
Equities	\$ 149,781,377	\$ 167,054,930
Fixed income and credit	120,106,422	108,881,233
Cash	12,054,507	11,090,630
Certificates of deposit	500,000	9,500,000
Alternative investments	12,308,000	9,800,540
Other	19,790,963	16,707,744
Total investments	<u>\$ 314,541,269</u>	<u>\$ 323,035,077</u>

**Billy Graham Evangelistic Association
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**Notes to the Consolidated Financial Statements
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6. Deferred Giving Program

The assets and liabilities in the deferred giving program are as follows:

	2018		2017	
	Assets	Liability	Assets	Liability
Gift annuity fund	\$ 58,092,906	\$ 41,069,219	\$ 60,803,123	\$ 42,952,911
Irrevocable trusts	14,177,437	9,039,088	14,789,623	9,766,486
Life estates	683,417	262,554	2,544,485	405,614
	<u>72,953,760</u>	<u>50,370,861</u>	<u>78,137,231</u>	<u>53,125,011</u>
Revocable trusts	15,164,535	15,164,535	14,741,368	14,741,368
Total	<u>\$ 88,118,295</u>	<u>\$ 65,535,396</u>	<u>\$ 92,878,599</u>	<u>\$ 67,866,379</u>

The change in value of annuities and trusts for the years ended December 31 is as follows:

	2018	2017
Investment return	\$ (1,512,079)	\$ 6,313,104
Other expenses	(87,663)	(134,627)
Change in liability	1,336,838	(697,123)
Trust payments to beneficiaries and fees	(992,076)	(621,770)
Rental Income	<u>91,013</u>	<u>106,445</u>
	<u><u>\$ (1,163,967)</u></u>	<u><u>\$ 4,966,029</u></u>

7. Fair Value Measurements of Assets and Liabilities

The Association follows the provisions of GAAP for financial assets and liabilities measured at fair value. This statement requires fair value measurements be classified and disclosed in one of the following three categories (“Fair Value Hierarchy”):

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges. Level 1 investments include actively traded equities and mutual funds, certain U.S. government obligations, and certain money market securities. Also included in Level 1 are a portion of deferred giving liabilities that are revocable and therefore fully cover the related Level 1 assets.

Level 2: Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 investments include certain U.S. government obligations, most government agency securities, investment grade corporate bonds, certain mortgage products, state, municipal, and provincial obligation, and most physical commodities.

Level 3: Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value.

Billy Graham Evangelistic Association and Consolidated Organizations

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018 with Comparative Totals for 2017

7. Fair Value Measurements of Assets and Liabilities (continued)

The following tables summarize the valuation of the Association's financial assets and liabilities measured at fair value as of December 31, 2018, based on the level of input utilized to measure fair value:

Measurement at fair value on a recurring basis:

Description	Fair Value Measurement at 12/31/18 Using:				Total
	Level 1	Level 2	Level 3		
Equities:					
Mutual funds	\$ 148,421,770	\$ -	\$ -	\$ -	\$ 148,421,770
Common and foreign stock	1,359,607	-	-	-	1,359,607
Fixed income and credit:					
U.S. Government	19,031,391	-	-	-	19,031,391
Corporate	-	19,601,935	-	-	19,601,935
Government mortgage backed securities	-	11,916,375	-	-	11,916,375
Bond funds	69,556,721	-	-	-	69,556,721
Other:					
Cash and cash equivalents	12,554,507	-	-	-	12,554,507
Other	-	262,572	-	-	262,572
	<u>\$ 250,923,996</u>	<u>\$ 31,780,882</u>	<u>\$ -</u>		<u>282,704,878</u>
Alternative investments ⁽¹⁾					12,308,000
Total investments - recurring basis					<u>\$ 295,012,878</u>
Deferred giving liabilities	<u>\$ 4,168,325</u>	<u>\$ 54,783,820</u>	<u>\$ -</u>		<u>\$ 58,952,145</u>

⁽¹⁾ In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Measurement at fair value on a non-recurring basis:

Description	Fair Value Measurement at 12/31/18 Using:				Total
	Level 1	Level 2	Level 3		
Investments:					
Other - real estate	\$ -	\$ 19,144,731	\$ -	\$ -	\$ 19,144,731
Other	-	-	383,660	-	383,660
Total investments - non-recurring basis	<u>\$ -</u>	<u>\$ 19,144,731</u>	<u>\$ 383,660</u>		<u>\$ 19,528,391</u>
Deferred giving liabilities	<u>\$ -</u>	<u>\$ 6,583,251</u>	<u>\$ -</u>		<u>\$ 6,583,251</u>

Other investments valued utilizing Level 3 inputs on a non-recurring basis include mineral interests and a note receivable. These investments are categorized as Level 3 because of limited or no observable market data. These investments were initially recorded at fair value based on market appraisals at the time of gift. The Association has not observed any evidence of impairment.

Billy Graham Evangelistic Association and Consolidated Organizations

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018 with Comparative Totals for 2017

7. Fair Value Measurements of Assets and Liabilities (continued)

For investments in entities that calculate net asset value or its equivalent whose fair value is not readily determinable, the following table provides information about the relative liquidity of these investments. The fair values of these investments have been estimated using net asset value per share of the investments unless noted otherwise. Management is not aware of any factors that would impact net asset value as of December 31, 2018.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Investment Fund ^(a)	\$5,021,850	\$280,500	Ineligible	None
Private Investment Fund ^(b)	\$7,286,150	-	Monthly	15 days

^(a) The strategy for this fund is to engage in the acquisition, operation, development, management, and disposition of direct and indirect royalty interests in natural gas, oil and wind energy.

^(b) The strategy for this fund is to secure a portfolio of senior loans made to corporations, partnerships and other entities that typically hold the most senior positions in the borrower's capital structure.

8. Endowment Funds

The Association interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA) underlying net asset classification of donor restricted assets as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2018 and 2017, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity the original value of initial and subsequent gift amounts donated to the endowment. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

Donor Restricted Endowments

At December 31, 2018, the Association's donor-restricted endowment funds consist of 30 individual funds established for a variety of purposes. In addition, the Association has established a Library endowment fund to receive donor gifts held in perpetuity to support the ongoing operations of the Billy Graham Library and a Cove endowment fund to support the ongoing operations of the Cove. The Association has also received donor gifts held in perpetuity as part of irrevocable trust and annuity gifts. The primary investment objective for donor-restricted endowment funds is to preserve and protect assets by focusing on conservation of principal and long-term growth of capital and income. In addition, the investment objective for donor-restricted endowment funds is to meet the donor's charitable objective for the endowment. This objective is generally attained by investing in a diversified portfolio of high quality securities.

Billy Graham Evangelistic Association and Consolidated Organizations

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018 with Comparative Totals for 2017

8. Endowment Funds (continued)

Board Designated Endowments

The Association's Board of Directors has designated a portion of without donor restriction net assets as funds functioning as endowments. Separate funds have been established for the Billy Graham Library Endowment Trust Fund, the Cove Endowment Trust Fund, the future ministries fund, and the Graham Fund for Evangelism.

The purpose of the Billy Graham Library Endowment Trust Fund is to provide an ongoing and perpetual source of funding for the operations, maintenance and long-term improvements of the Library located in Charlotte, North Carolina. The Billy Graham Library is an ongoing evangelistic crusade. In 2018, over 213,900 people visited the Billy Graham Library having the opportunity to hear the Gospel message with over 2,000 people making various commitments to Jesus Christ. It is the desire of the Board of Directors that there should never be an admission fee to the Library so that all can hear or experience the Gospel of Jesus Christ. This primary objective, as well as the investment objective of preserving and protecting the fund's assets, will be accomplished by focusing on the conservation of principal and long-term growth of capital and income. This is generally achieved by investing in a diversified portfolio of high quality securities. The board designated spending plan for this fund has been suspended in an effort to build the fund's balance. Funds from donor restricted endowments were transferred to support the ministry of the Library in the amount of \$314,624 and \$187,587 for 2018 and 2017, respectively.

The purpose of the Cove Endowment Trust Fund is to provide an ongoing source of funding for supporting, maintaining, and improving the facilities and ministry at the Billy Graham Training Center at the Cove. The primary investment objective of this fund is to preserve and protect assets by focusing on conservation of principal and long-term growth of capital and income. This objective is generally attained by investing in a diversified portfolio of high quality securities. The spending plan for this fund has been based upon the capital and operating needs of the Cove. Funds of approximately \$1,407,000 and \$605,000 were transferred to support the ministry of the Cove for 2018 and 2017, respectively.

The purpose of the future ministries fund is to provide a source of funding for continuing and growing ministry activities through special evangelistic projects and to provide for operating cash flow needs of the Association. The primary investment objective of the future ministries fund is to preserve and protect the assets by focusing on conservation of principal and adequate liquidity to meet ministry needs. This objective is generally attained by investing in an interest bearing account. Expenditures from the future ministries fund are determined by the Board in order to meet ministry needs and projects. During 2018, \$5,000,000 was transferred to the general fund from funds previously designated by the Board for events related to Dr. Graham's passing. Funds were not withdrawn in 2017 in order to preserve principal.

The purpose of the Graham Fund for Evangelism has been to provide an ongoing source of funding for supporting, maintaining, and improving the facilities and ministry at the Graham Center at Wheaton College. In 2018 and 2017, the support for the Graham Center at Wheaton College was provided from BGEA's general fund. The Graham Fund for Evangelism is being maintained with a minimal balance for potential future evangelistic purposes. The primary investment objective of the fund is to preserve and protect its assets by focusing on conservation of principal. This objective is generally attained by investing in an interest bearing account.

**Billy Graham Evangelistic Association
and Consolidated Organizations**

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2018 with Comparative Totals for 2017**

8. Endowment Funds (continued)

The purpose of the Blue Ridge Broadcasting Endowment is to support future ministry opportunities. The primary investment objective of the endowment fund is to preserve and protect the assets by focusing on conservation of principal and adequate liquidity to meet ministry needs. This objective is generally attained by investing in a portfolio of high quality securities. Expenditures from the endowment fund are determined by the Board in order to meet ministry needs. Funds were not withdrawn in 2018 or 2017 in order to preserve principal.

Endowment net asset composition by type of fund as of December 31, 2018:

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
	Board Designated	With Donor Restrictions	Total	Total
Billy Graham Library Endowment				
Trust Fund	\$ 102,565,859	\$ 17,017,309	\$ 119,583,168	\$ 117,164,078
Cove Endowment Trust Fund	69,367,922	266,952	69,634,874	75,187,524
Future ministries fund	5,339,418	-	5,339,418	10,302,917
Graham Fund for Evangelism	32,832	-	32,832	32,745
Blue Ridge Broadcasting	1,244,403	-	1,244,403	1,324,423
Other endowment funds	-	5,112,984	5,112,984	5,520,677
	\$ 178,550,434	\$ 22,397,245	\$ 200,947,679	\$ 209,532,364

Changes in endowment net assets for the fiscal year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 192,402,865	\$ 17,129,499	\$ 209,532,364
Investment return:			
Investment income	7,452,289	915,816	8,368,105
Realized and unrealized losses	(14,794,473)	(2,271,364)	(17,065,837)
Total investment return	(7,342,184)	(1,355,548)	(8,697,732)
Contributions	-	7,035,445	7,035,445
Other income (loss)	2,279	(29,628)	(27,349)
Amounts appropriated for expenditure	(121,668)	(469,842)	(591,510)
Transfers to	9,142	87,319	96,461
Transfers from	(6,400,000)	-	(6,400,000)
Endowment net assets, end of year	\$ 178,550,434	\$ 22,397,245	\$ 200,947,679

Billy Graham Evangelistic Association and Consolidated Organizations

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018 with Comparative Totals for 2017

9. Composition of Net Assets with Donor Restrictions

	2017	Contributions	Net Assets Released from Restriction	Change in Value Gains & Losses	2018
Subject to expenditure for specified purpose:					
Evangelistic crusades	\$ 165,685	\$ 4,051,697	\$ (4,202,064)	\$ -	\$ 15,318
Decision America	-	4,027,797	(4,027,797)	-	-
Rapid Response Team	2,760,621	5,108,848	(3,705,079)	-	4,164,390
World Emergency Fund	2,595,551	163,884	(59,390)	-	2,700,045
Billy Graham Library	628,326	1,886,248	(1,916,663)	-	597,911
Search for Jesus	173,655	1,080,059	(1,021,431)	-	232,283
Other evangelistic ministry	1,614,019	2,554,758	(2,367,180)	-	1,801,597
	<u>7,937,857</u>	<u>18,873,291</u>	<u>(17,299,604)</u>	<u>-</u>	<u>9,511,544</u>
Subject to the passage of time:					
Beneficial interests in charitable trusts held by others	2,560,210	50,316	(246,636)	-	2,363,890
Assets held under split-interest agreements	4,839,432	1,317,880	-	(1,197,607)	4,959,705
Life Estates	1,879,939	-	(1,861,069)	145,226	164,096
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until due	1,162,000	2,018,308	(1,162,000)	-	2,018,308
	<u>10,441,581</u>	<u>3,386,504</u>	<u>(3,269,705)</u>	<u>(1,052,381)</u>	<u>9,505,999</u>
Subject to the passage of time perpetual in nature:					
Assets held under split-interest agreements	183,704	-	-	(5,060)	178,644
Life estates	258,933	-	-	(2,166)	256,767
	<u>442,637</u>	<u>-</u>	<u>-</u>	<u>(7,226)</u>	<u>435,411</u>
Endowments:					
Accumulated earnings subject to appropriation and expenditure when a specified event occurs:					
Restricted by donors for:					
Available for general use	1,955,861	-	-	(540,746)	1,415,115
Purpose restrictions	2,882,877	-	(469,842)	(768,116)	1,644,919
	<u>4,838,738</u>	<u>-</u>	<u>(469,842)</u>	<u>(1,308,862)</u>	<u>3,060,034</u>
Restricted in perpetuity, the income from which is expendable to support:					
Billy Graham Library Endowment Trust Fund	8,269,008	7,035,425	11,000	-	15,315,433
Other endowment funds	3,812,933	-	-	-	3,812,933
Cove Endowment Trust Fund	208,822	20	-	-	208,842
	<u>12,290,763</u>	<u>7,035,445</u>	<u>11,000</u>	<u>-</u>	<u>19,337,208</u>
Total endowments	17,129,501	7,035,445	(458,842)	(1,308,862)	22,397,242
Total with donor restrictions	\$ 35,951,576	\$ 29,295,240	\$ (21,028,151)	\$ (2,368,469)	\$ 41,850,196

Billy Graham Evangelistic Association and Consolidated Organizations

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018 with Comparative Totals for 2017

10. Other Assets

During 2009, the Association contracted with a captive insurance company to obtain coverage for workers' compensation, general liability, property, and automobile liability insurance. The Association owns a non-controlling share of the common stock of the captive insurance company and is accounting for this asset under the cost method of investment accounting. The cost of this asset was \$296,800 and is included in other assets.

During 2012, Blue Ridge Broadcasting obtained an indefinite-lived Federal Communications Commission (FCC) broadcast license through the purchase of a radio station. This intangible asset is tested biennially for impairment. At December 31, 2018, the Association determined that the carrying value of the intangible asset exceeded the fair value based on changes in market conditions resulting in an impairment loss of \$50,000. There were no impairments in 2017. This intangible asset is valued at \$1,150,000 and \$1,200,000 as of December 31, 2018 and 2017, respectively.

During 2014, the Association entered into a purchase agreement with Dr. Graham to explicitly assign certain intellectual property rights to the Association. The intangible asset is valued at \$480,000 as of December 31, 2018 and 2017, respectively.

11. Retirement Plans

The Association has a 401(k) retirement plan. Employer contributions are 3% of each participant's eligible salary plus a matching provision whereby the employer may match the employee's contributions up to an additional 3% of the participant's salary. The plan includes a provision whereby the Board of Directors can approve additional contributions of up to 2%. The additional 2% discretionary contribution was approved for 2018 and 2017. The Association recorded expense of \$2,413,486 and \$2,376,247 for the years ended December 31, 2018 and 2017, respectively.

In addition, the Association has deferred compensation plans. Deferred compensation expense of \$17,211 and \$34,237 was incurred in 2018 and 2017, respectively. Deferred compensation liabilities of \$304,064 and \$286,852 existed at December 31, 2018 and 2017, respectively, and are included in accrued expenses.

12. Self-Insurance Program

The Association maintains a self-insurance program for hospitalization, medical, and dental coverage for its employees. The Association limits its losses through the use of stop loss policies from a re-insurer. Specific individual losses for claims were limited to \$130,000 for 2018 and 2017. The estimated liability for these claims approximated \$780,000 and \$875,000 at December 31, 2018 and 2017, respectively, and are included in accrued expenses.

**Billy Graham Evangelistic Association
and Consolidated Organizations**

**Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2018 with Comparative Totals for 2017**

13. Schedules of Functional Expenses

	For the Year Ended December 31, 2018			
	Ministry Expenses	Fundraising	General and Administrative	Total
Grants and scholarships	\$ 703,557	\$ -	\$ -	\$ 703,557
Salaries and wages	27,666,462	2,830,020	5,479,286	35,975,768
Employee benefits	6,712,706	691,400	1,606,455	9,010,561
Other personnel costs	1,846,915	186,191	398,755	2,431,861
Legal and professional services	5,960,275	127,638	779,940	6,867,853
Contract labor	8,651,823	126,228	631,846	9,409,897
Supplies	888,240	55,456	116,368	1,060,064
Telecommunications	811,369	60,335	157,397	1,029,101
Postage and mailing	4,540,821	710,907	228,911	5,480,639
Building and equipment	4,218,126	120,580	827,165	5,165,871
Printing	3,060,166	366,217	118,041	3,544,424
Travel	8,878,353	554,263	343,499	9,776,115
Ministry events	21,438,135	746,541	346,570	22,531,246
Broadcasting and production	1,069,961	68,626	41,687	1,180,274
Nonoperating and depreciation	5,070,447	216,677	902,650	6,189,774
Total expenses	<u>\$ 101,517,356</u>	<u>\$ 6,861,079</u>	<u>\$ 11,978,570</u>	<u>\$ 120,357,005</u>

	For the Year Ended December 31, 2017			
	Ministry Expenses	Fundraising	General and Administrative	Total
Grants and scholarships	\$ 1,089,884	\$ -	\$ -	\$ 1,089,884
Salaries and wages	28,320,190	2,639,893	5,389,032	36,349,115
Employee benefits	8,254,449	724,467	1,487,858	10,466,774
Other personnel costs	1,723,163	170,371	353,714	2,247,248
Legal and professional services	3,148,003	107,099	803,610	4,058,712
Contract labor	6,188,474	65,927	47,474	6,301,875
Supplies	874,446	61,816	99,900	1,036,162
Telecommunications	803,738	55,221	105,392	964,351
Postage and mailing	3,842,567	614,176	189,395	4,646,138
Building and equipment	3,859,745	132,918	567,080	4,559,743
Printing	1,888,510	314,997	91,582	2,295,089
Travel	8,854,424	510,985	259,091	9,624,500
Ministry events	15,071,173	462,234	210,846	15,744,253
Broadcasting and production	1,119,720	54,315	24,530	1,198,565
Nonoperating and depreciation	5,764,395	234,737	631,386	6,630,518
Total expenses	<u>\$ 90,802,881</u>	<u>\$ 6,149,156</u>	<u>\$ 10,260,890</u>	<u>\$ 107,212,927</u>

Billy Graham Evangelistic Association and Consolidated Organizations

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018 with Comparative Totals for 2017

14. Concentration of Credit Risk

Financial instruments that potentially expose the Association to concentrations of credit risk consist primarily of cash and cash equivalents. The Association places its cash and cash equivalents on deposit with North Carolina financial institutions. The Federal Deposit Insurance Corporation (“FDIC”) covers \$250,000 for substantially all depository accounts. From time to time, the Association may have amounts in excess of the FDIC limit.

15. Related Party Transactions

The Association has entered into Master License Agreements with the following unconsolidated organizations: Billy Graham Evangelistic Association of Australia, Billy Graham Evangelistic Association of Canada, Billy Graham Evangelistic Association – India Trust, Billy Graham Evangelistic Association, Ltd., and Vozrozhdeniye (the “International Affiliates”) to further the global ministry of the Billy Graham Evangelistic Association. The Association does not control the independent board of directors of these organizations. For the years ended December 31, 2018 and 2017, the International Affiliates reimbursed the Association \$119,807 and \$835,586, respectively, for various ministry projects. The Association transferred funds to the International Affiliates totaling \$1,277,198 in 2018 and \$1,185,698 in 2017 for various ministry projects and support. As of December 31, 2018 and 2017, the Association had accounts receivable totaling \$16,352 and \$24,042, respectively, from the International Affiliates. As of December 31, 2018, the Association had accounts payable to the International Affiliates totaling \$14,920.

The Chief Executive Officer, President, and Chairman of the Association is the Chief Executive Officer, President, and Chairman of Samaritan’s Purse. Samaritan’s Purse is controlled by an independent board of directors though the two ministries share certain board members. The Association and Samaritan’s Purse are engaged in related party transactions, including a shared services agreement to gain efficiencies over administrative services supporting their individual ministries. They also receive and forward contributions intended for the other Ministry, transfer assets that align with the other Ministry’s projects and activities, and staff and financially support joint ministry activities and disaster responses.

The Association paid cash to Samaritan’s Purse totaling \$9,042,623 in 2018 and \$4,360,424 in 2017, while Samaritan’s Purse paid cash to the Association totaling \$2,034,027 in 2018 and \$2,500,865 in 2017 related to these activities. The Association received from Samaritan’s Purse in-kind contributions valued at \$518,176 in 2018 and \$563,402 in 2017.

Following is unaudited summary financial information as of December 31, 2018, for Samaritan’s Purse, which is controlled by an independent board of directors: total assets, \$708,302,578; total liabilities, \$58,606,403; total net assets, \$649,696,175; total revenues, \$709,060,891; and total expenses, \$686,849,011.

Billy Graham Evangelistic Association and Consolidated Organizations

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2018 with Comparative Totals for 2017

15. Related Party Transactions (continued)

Other evangelistic ministry in the consolidated statement of activities includes contributions given to like ministries approved by the Board of Directors annually. Contributions of \$100,000 in 2018 and 2017 were given to Wheaton College and contributions of \$100,000 in 2018 and \$100,000 in 2017 were given to Montreat College. The Association shares several common board members with these institutions but does not control the board of directors of these organizations. Contributions of \$25,000 in 2018 and 2017 were given to East Gates International for ministry in Asia. The president of East Gates International is the brother of the Chief Executive Officer. Contributions of \$25,000 were given in 2018 and 2017 to Ruth Graham and Friends. The founder and Chairman of Ruth Graham and Friends is the sister of the Chief Executive Officer.

The Association entered into a purchase agreement with our founder Dr. Graham, the prior Board Chairman Emeritus, to explicitly assign certain intellectual property rights to the Association (see Note 10). The transaction was reviewed in accordance with the Association's Conflict of Interest policy, with Board approval of the purchase agreement supported by the opinion of an intellectual property valuation expert. Under the terms of this agreement, annual payments to Dr. Graham of \$120,000 commenced in 2015 with final payment made in 2018.

16. Subsequent Events

The Association has evaluated subsequent events through April 1, 2019 in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.