

# Notes to Financial Statements

DECEMBER 31, 2006

## NOTE A—ORGANIZATION AND CHURCH VISION

Joyce Meyer Ministries, Inc., headquartered in Fenton, Missouri, is organized as a church dedicated to Christian and charitable purposes. In its ministry as a church, Joyce Meyer Ministries, Inc., (the Church) conducts regular meetings worldwide, teaching biblical principles. Through its daily media outreach, millions of people receive life-changing biblical teaching through the Church's television and radio programs, teaching tapes, videos, books and conferences. The Church's missions and outreach programs include feeding the poor, clothing the naked, visiting the prisoners, ministering to the elderly and reaching out and training people of all ages. The Church provides funding and helps oversee several orphanages that supply food and shelter to needy children. The Church employs approximately 500 individuals to carry out its Christian and charitable purposes.

## NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis of Accounting

The financial statements of Joyce Meyer Ministries, Inc. have been prepared on the accrual basis. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

### 2. Revenue Recognition

Joyce Meyer Ministries, Inc., reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Gifts and contributions received with donor stipulations that limit the use of the asset are reported as restricted assets.

Contributions and offerings received are presented as restricted support if they are received with donor stipulations that limit the use of the contributions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the contribution is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. No amounts have been reflected in the statements for donated services for the Church since no objective basis is generally available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of time to the Church's program

services. During 2006, approximately 36,000 hours were donated from volunteers for meetings and conferences.

The Church periodically exchanges educational resources with donors based on a designated contribution. At December 31, 2006, the cost of these direct donor benefits was approximately \$3.5 million. These costs are included as an offset to unrestricted contributions in the statement of activities.

### **3. Use of Estimates**

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

### **4. Cash and Cash Equivalents**

The Church considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for the purposes of the statement of cash flows. Deposits in excess of Federal Deposit Insurance Corporation's coverage were approximately \$16,473,000 at December 31, 2006. At December 31, 2006, money market accounts of approximately \$2,196,000 were invested in commercial paper, repurchase agreements, variable rate instruments and bank instruments.

Cash and investments included amounts restricted for funding of retirement plans of approximately \$1,740,000 at December 31, 2006.

The Church maintains sufficient cash resources to cover near-term working capital needs.

### **5. Accounts Receivable**

Accounts receivable is comprised of the following: approximately \$2.1 million of amount due from financial institution relating to a duplicate withdrawal from the operating account; approximately \$329,000 of contributions receivable; approximately \$357,000 of accrued interest and approximately \$71,000 of royalties, employee advances and other miscellaneous items.

### **6. Inventories**

Inventory consists of books, CDs, DVDs, cassette tapes and videotapes and all other related items utilized in the media operation of the Church. Inventory is valued at the lower of cost or market with cost determined on the first-in first-out basis.

### **7. Fixed Assets and Depreciation**

Fixed assets are recorded at cost or, in the case of donated property, at their estimated fair market value at the date of the donation. Depreciation of fixed assets is provided over the estimated useful lives of the respective assets on a straight-line basis, ranging from 3–40 years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

## 8. Investments

The Church's investments are stated at fair value based on quoted market price at year-end for donated trading securities. The investments of bonds and notes are measured at fair value. These investments include the restricted Retirement bond for funding a retirement plan of approximately \$1.7 million maturing in 2011, and Treasury bonds of approximately \$7 million maturing in 2007 and \$9 million maturing in 2008.

## 9. Compensated Absences

Full-time employees of the Church receive paid vacations and personal days off, depending on job classification, length of service, and other factors. Compensated absences earned but not paid as of December 31st have been accrued.

## 10. Deferred revenues

Deferred revenues are generated from registration fees collected for 2007 conferences.

## 11. Income Taxes

The Church is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

## 12. Expenses

*Advertising costs*—Are expensed as incurred.

*Allocation of Fundraising Costs*—The Church allocates fundraising costs in accordance with Statement of Position 98-2 "Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fundraising." Joint costs affecting programs and fundraising have been reviewed by management and meet the criteria established by the Statement of Position. During 2006, approximately \$4.9 million of television and radio ministry expenses, salaries, meeting expenses and monthly mailing costs have been allocated to fundraising.

*Cost of Christian Materials*—During 2006, the costs of selling Christian materials have been classified as a program expense and not included in the sale of Christian materials. The reporting of revenues and expenses from a central activity of the Church is reported gross in the statement of activities. This reporting of revenues and expenses is consistent with the presentation of operational activities of other religious organizations.

*Loss on Disposal of Assets*—The loss on disposal of assets has been reported separately as a component of expenses in the statement of activities.

**NOTE C—INVENTORIES****Inventories include the following at December 31, 2006:**

Finished goods:		
CDs and cassette tapes		\$ 136,625
Video tapes		5,320
Books		1,291,653
Other inventory items		471,719
Supplies to produce finished goods		753,351
		<u>\$ 2,658,668</u>

**NOTE D—INVESTMENT SECURITIES****Investments consist of the following at December 31, 2006:**

	Cost	Unrealized gain/(loss)	Fair Value
Current:			
Equity securities	\$ 110,192	\$ (570)	\$ 109,622
U.S. Treasury bonds & notes	7,000,000	(96,512)	6,903,488
Total current	7,110,192	(97,082)	7,013,110
Long-term:			
U.S. Treasury note (maturing in 2008)	9,000,000	(2,312)	8,997,688
Retirement investment	1,740,000	(1,435)	1,738,565
Total long-term	10,740,000	(3,747)	10,736,253
Total	\$ 17,850,192	\$ (100,829)	\$ 17,749,363

**NOTE E—PROPERTY AND EQUIPMENT****Property and equipment includes the following at December 31, 2006:**

Land and land improvements	\$ 5,432,374
Buildings	27,442,057
TV, computer and other equipment	21,122,957
Aircraft and Church vehicles	9,889,558
Construction in progress	152,188
	<u>64,039,134</u>
Less: accumulated depreciation	26,055,076
Total property and equipment	<u>\$ 37,984,058</u>

At December 31, 2006, the Church had one construction project in progress relating to the expansion of the media center. The project has been placed on hold with approximately \$153,000 of project costs incurred.

**NOTE F—COMMITMENTS AND CONTINGENCIES****Airtime**

The Church has radio and TV airtime contracts extending to 2007. These contracts may be terminated with a fourteen to sixty day notification. The average monthly cost of these contracts is approximately \$2.0 million.

**Professional Services**

The Church has contracted with a third party for marketing and printing costs. The contract requires a ninety-day notification for termination. The contracts expire in 2008 and represent approximately \$435,000 in professional services for 2007 and \$218,000 in 2008.

**Self-Insurance**

The Church self-insures for workers' compensation and employee disease claims. Operations are charged with the cost of claims reported and an estimate of claims incurred but not reported. A liability for unpaid claims and the associated claim expenses is recognized as an expense and accrued at year-end. The determination of such claims and expenses and the appropriateness of the related liability are continually reviewed by management and a third party. The Church has purchased stop loss insurance to supplement the plan, which will reimburse the Church for individual claims in excess of \$250,000 per occurrence or aggregate claims exceeding \$728,000. Policy limits for employer liabilities are \$1,000,000 per accident and \$2,000,000 in the aggregate.

**Contingencies**

The Church is subject to various litigations and claims with respect to certain matters and actions arising out of the normal course of business. Some of these lawsuits involve another related party who will share in the final adjudication. While the outcome of these matters is uncertain at this time, it is the opinion of management and the Church's legal counsel that the ultimate resolution of these claims will not adversely affect the Church's financial condition, cash flows or operational activities.

**NOTE G—NET ASSETS**

At December 31, 2006, unrestricted net assets are comprised of \$37,984,058 invested in property, plant and equipment, and \$37,657,196 of unrestricted funds. At December 31, 2006, temporarily restricted net assets of \$57,521 is comprised of \$57,521 for Hurricane Katrina and other natural disasters.

During 2006, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Tsunami Outreach	\$ 147,533
Hurricane Katrina and other natural disasters	1,480,717
Mercy Ministries	147,827
	<hr/>
	<b>\$ 1,776,077</b>

**NOTE H—RETIREMENT PLANS**

The Church maintains two retirement plans that cover substantially all the employees who are full-time, at least 21 years old and have completed six months of service. Contributions to the plans during 2006 were approximately \$237,000.

**NOTE I—SUPPORT OF OTHER MINISTRIES**

During the 1990s, Joyce Meyer Ministries began to finance the establishment of similar international ministries called Joyce Meyer Ministries Canada, Inc., Joyce Meyer Ministries Australia, Inc., Joyce Meyer Ministries England, Inc., Joyce Meyer Ministries, South Africa, Joyce Meyer Ministries Limited (East Africa), Joyce Meyer Foundation (Brazil), Joyce Meyer Ministries GmbH & Co, KG (Germany), and Joyce Meyer Ministries, India. All expenses incurred by the Church on behalf of these affiliates have been recognized as missions and outreach in the statement of activities, except for certain costs that will be reimbursed. During 2006, the Church had the following affiliate activity (rounded):

Affiliate	Contributions	Missions/ Outreach	Due from affiliate at 12/31
JMM Australia	\$ 1,394,500	\$ 152,000	\$ 150,800
JMM Canada	65,900	199,000	397,100
JMM England	2,015,600	136,500	177,500
JMM South Africa	–	222,200	116,200
JMM Other	–	215,300	–
JMM India	–	941,000	–
JMM Germany	–	153,000	–
<b>Total</b>	<b>\$ 3,476,000</b>	<b>\$ 2,019,000</b>	<b>\$ 841,600</b>

Missions and outreach of approximately \$553,000 were disbursed during 2006 to other related organizations to support the mission of those entities.

Joyce Meyer Ministries (JMM) and an organization created to assist the underprivileged have several board members in common. Since its inception, JMM has provided support for community outreach and volunteer training and education. During 2006, approximately \$2.1 million of contributions or 86 percent was provided by JMM.