

**AMERICAN FAMILY ASSOCIATION, INC.**  
**AUDIT REPORT AND**  
**SUPPLEMENTAL INFORMATION**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

**The Sparks CPA Firm, P.C.**  
**Certified Public Accountants**

**AMERICAN FAMILY ASSOCIATION, INC.**

**Tupelo, Mississippi**

**Table of Contents**

**June 30, 2015 and 2014**

Description	Page Number
Independent Auditors' Report	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to the Financial Statements	6
Supplemental Information	14
Schedules of Functional Expenses	15

Independent Auditors' Report

To the Board of Directors of  
American Family Association, Inc.

We have audited the accompanying financial statements of American Family Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Family Association, Inc., as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 15-18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management

and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*The Sparks CPA Firm, P.C.*

The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Red Bay, Alabama  
February 8, 2016

# AMERICAN FAMILY ASSOCIATION, INC.

Statements of Financial Position

June 30, 2015 and 2014

	<u>Assets</u>	
	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and Cash Equivalents	\$ 12,602,731	\$ 7,460,557
Accounts Receivable	1,452,129	323,754
Unconditional Promises to Give	433,674	388,156
Investments	4,498,935	12,292,845
Notes Receivable, Current	92,173	92,713
Prepaid Expenses	342,471	312,175
Total Current Assets	<u>19,422,113</u>	<u>20,870,200</u>
Fixed Assets		
Land, Buildings and Equipment, Net	<u>15,191,413</u>	<u>15,592,288</u>
Total Fixed Assets	<u>15,191,413</u>	<u>15,592,288</u>
Other Assets		
Other Assets	<u>16,434</u>	<u>15,992</u>
Total Other Assets	<u>16,434</u>	<u>15,992</u>
Total Assets	<u>\$ 34,629,960</u>	<u>\$ 36,478,480</u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities		
Accounts Payable	\$ 276,931	\$ 365,446
Accrued Expenses	<u>520,125</u>	<u>4,182,096</u>
Total Current Liabilities	<u>797,056</u>	<u>4,547,542</u>
Long Term Liabilities		
Annuity Reserve	3,554,463	3,375,385
Present Value of Income Interest	<u>150,880</u>	<u>275,890</u>
Total Long Term Liabilities	<u>3,705,343</u>	<u>3,651,275</u>
Total Liabilities	<u>4,502,399</u>	<u>8,198,817</u>
Net Assets		
Unrestricted	<u>30,127,561</u>	<u>28,279,663</u>
Total Net Assets	<u>30,127,561</u>	<u>28,279,663</u>
Total Liabilities and Net Assets	<u>\$ 34,629,960</u>	<u>\$ 36,478,480</u>

The accompanying notes are an integral part of these financial statements.

## AMERICAN FAMILY ASSOCIATION, INC.

Statements of Activities  
Years Ended June 30, 2015 and 2014

	2015	2014
<b>Unrestricted Net Assets:</b>		
Support and Revenue:		
Contributions	\$ 27,325,708	\$ 25,370,402
Royalties	23,330	16,620
Advertising	62,019	132,009
Interest Income	26,055	78,819
Dividend Income	101,677	744,820
Gain on Sale of Equipment	49,567	14,501
Gain on Sale of Broadcast Assets	1,317,234	15,000
Gain on Sale of Investments	91,137	(66)
Unrealized Gain/(Loss) on Investments	(64,334)	1,081,400
Rental Income	398,689	395,965
Other Income	459,275	356,392
Total Support and Revenue	29,790,357	28,205,862
Expenses:		
Program Services	26,098,022	24,984,774
General and Administrative	932,950	1,053,388
Fund Raising	911,487	937,915
Total Expenses	27,942,459	26,976,077
Total Increase/(Decrease) in Net Assets	1,847,898	1,229,785
Net Assets, July 1	28,279,663	27,049,878
Net Assets, June 30	\$ 30,127,561	\$ 28,279,663

The accompanying notes are an integral part of these financial statements.

# AMERICAN FAMILY ASSOCIATION, INC.

## Statements of Cash Flows Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Net Increase/(Decrease) in Net Assets	\$ 1,847,898	\$ 1,229,785
Adjustments to Reconcile Net (Increase)/Decrease In Net Assets to Net Cash Provided by Operating Activities		
Accounts Receivable	(1,128,375)	(1,762)
Pledges Receivable, Net	(45,518)	(25,217)
Prepaid Expenses	(30,296)	(44,836)
Employee Advances	(442)	99
Depreciation	1,559,902	1,659,433
Amortization	-	2,811
Accounts Payable	(88,515)	47,343
Annuity Reserve	179,078	305,366
Present Value of Income Interest	(125,010)	3,774
Accrued Expenses	(3,661,971)	3,698,934
Net Cash Provided/(Used) - Operating Activities	(1,493,249)	6,875,730
Cash Flows from Investing Activities		
Investments	7,793,910	(2,597,374)
Buildings, Equipment, Furniture, and Fixtures	(1,159,027)	(1,363,559)
Net Cash Provided/(Used) - Investing Activities	6,634,883	(3,960,933)
Cash Flows from Financing Activities		
Temporarily Restricted Net Assets	-	-
Note Receivable on Sale of Fixed Assets	540	(15,711)
Net Cash Provided/(Used) - Financing Activities	540	(15,711)
Net Increase/(Decrease) in Cash and Cash Equivalents	5,142,174	2,899,086
Cash and Cash Equivalents at the Beginning of the Year	7,460,557	4,561,471
Cash and Cash Equivalents at the End of the Year	\$ 12,602,731	\$ 7,460,557
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for Interest Expense	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Years Ended June 30, 2015 and 2014

## **Note 1: *Nature of Organization and Significant Accounting Policies***

The American Family Association, Inc. (the Organization) is a nonprofit Christian organization promoting the Biblical ethic of decency in American society with a primary emphasis on TV and other media.

Financial support for the American Family Association, Inc. is through donations from individuals and organizations within the United States.

The Organization is a nonprofit corporation, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

*Use of Estimates.* The preparation of financial statements in conformity with generally accepted accounting principles 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.

*Cash and Cash Equivalents.* Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days except if those instruments are used to temporarily invest endowment funds until appropriate investments are identified. At year-end and throughout the year, the organization's cash balances were deposited in several banks. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

*Accounts and Notes Receivable.* Accounts and Notes Receivable are described in Note 2 and Note 6 respectively and are considered by management to be fully collectible.

*Investments.* Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

*Concentrations of Credit and Market Risk.* Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The Organization has not experienced any losses on its cash equivalents. The Organization's investments do not represent concentrations of market risk inasmuch as the Organization's investment portfolio is adequately diversified among issuers.

*Land, Buildings, and Equipment.* Land, buildings, and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets and computed on the straight-line method. The Organization capitalizes all equipment purchases over \$1,000.

*Support and Expenses.* Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction 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. Donor-restricted contributions whose restrictions are met in the same period are reported as unrestricted support. The Organization uses the allowance method to determine uncollectible unconditional promises



# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Years Ended June 30, 2015 and 2014

## Note 1: *Nature of Organization and Significant Accounting Policies - Continued*

received. The allowance is based on prior years' experience and management's analysis of specific promises made.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

*Advertising Cost.* Advertising costs are expensed as incurred.

*Income Taxes.* The Organization is a nonprofit corporation whose revenue is derived from contributions and other fund-raising activities and is not subject to federal or state income taxes. The Organization's unrelated business income has resulted in net taxable income of \$18,321, see Note 18.

*Functional Allocation of Expenses.* The costs of providing the various programs and activities of the American Family Association, Inc., have been summarized on a functional basis in the Statements of Activities. Accordingly, certain expenses for salaries and related benefits, computer expense, supplies, repairs and maintenance and occupancy expense have been allocated among the programs and supporting services benefited based on estimated time and functional usage.

*Subsequent Events.* For the year ended June 30, 2015, the Organization has evaluated subsequent events for potential recognition and disclosure through February 8, 2016, the date which the financial statements were available to be issued.

## Note 2: *Accounts Receivable*

Accounts receivable consists of underwriting agreements the Organization has entered into that have not yet been collected. The accounts receivable aging at June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Current	\$ 1,382,423	\$ 196,452
31-60 days	15,635	37,388
61-90 days	48,178	45,896
Over 90 days	5,893	44,018
Total Accounts Receivable	<u>\$ 1,452,129</u>	<u>\$ 323,754</u>

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Years Ended June 30, 2015 and 2014

**Note 3: *Unconditional Promises to Give***

Unconditional promises to give at June 30, 2015 and 2014 consist of the following:

	2015	2014
Unrestricted Promises	\$ 626,561	\$ 556,677
Allowance for Uncollectible Unrestricted Promises	(192,887)	(168,521)
Net Unconditional Promises to Give	\$ 433,674	\$ 388,156
Amounts Due in:		
Less Than One Year	\$ 433,674	\$ 388,156
One to Five Years	-	-
Total	\$ 433,674	\$ 388,156

Bad debt expense for the year ended June 30, 2015 and 2014 was \$0 and \$0.

**Note 4: *Investments***

Investments are stated at fair market value. Fair values and unrealized appreciation (depreciation) at June 30, 2015 and 2014 are summarized as follows:

	2015	2014
Cost	\$ 4,563,269	\$ 11,211,445
Fair Value	4,498,935	12,292,845
Unrealized Gain (Loss)	\$ (64,334)	\$ 1,081,400

The investments, at estimated fair value, consist of the following:

Stocks	\$ 1,763,897	\$ 5,458,941
Mutual Funds	1,456,637	2,959,115
Annuities	121,853	118,304
Real Estate	25,500	25,500
Media	755,520	1,515,181
Bonds	375,528	2,215,804
Total	\$ 4,498,935	\$ 12,292,845

All investment returns are classified as unrestricted in the statement of activities for the years ending June 30, 2015 and 2014.

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Years Ended June 30, 2015 and 2014

**Note 5: Fair Value Measurements**

Fair values of assets measured on a recurring basis at June 30, 2015 and 2014 are as follows:

<b>Fair Value Measurements at Reporting Date Using</b>				
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Inputs are unobservable (Level 3)</u>
<u>June 30, 2015</u>				
Investments	\$ 4,498,935	\$ 3,717,915	\$ 25,500	\$ 755,520
<u>June 30, 2014</u>				
Investments	\$ 12,292,845	\$ 10,752,164	\$ 25,500	\$ 1,515,181

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 – Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 1 and Level 2 inputs were available to the Organization.

Level 3 investments consist of various Christian based media projects for which the Organization has assisted in developing for release in public media outlets. The investment is carried at cost which approximates fair value to be realized upon the release of the media projects.

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Years Ended June 30, 2015 and 2014

**Note 5: Fair Value Measurements - continued**

During the years ended June 30, 2015 and 2014, Level 3 investments consisted of the following activity:

	<b>2015</b>	<b>2014</b>
Beginning Balance	\$ 1,515,181	\$ 1,011,014
Investments in media projects	5,801	504,167
Media projects completed	(765,462)	-
Ending Balance	\$ 755,520	\$ 1,515,181

**Note 6: Notes Receivable**

The Notes Receivable balance as of June 30, 2015 and 2014 consists of the following:

	<b>2015</b>	<b>2014</b>
Employee Notes Receivable	\$ 92,173	\$ 69,763
Brooks Shaw and Son Old Country Store	-	22,950
Total Notes Receivable, Current and Deferred	\$ 92,173	\$ 92,713

The Employee Notes Receivable balance consists of amounts loaned to various employees of the Organization. All notes are in agreement with the terms applicable to each individual's note receivable. The notes carry various interest rates. The current note balances total \$41,550.

The Note Receivable with Brooks Shaw and Son Old Country Store was for the sale of an electronic sign with an original balance of \$25,950.

Notes receivable payments are due as follows:

Year	Amount
2016	\$ 92,173
Total Notes Receivable	92,173
Less: Current Portion	(92,173)
Total Deferred Notes Receivable	\$ -

**Note 7: Prepaid Expenses**

Prepaid expenses at June 30, 2015 and 2014 consist of the following:

	<b>2015</b>	<b>2014</b>
Prepaid Insurance	\$ 19,640	\$ 16,200
Prepaid Internet Contracts	17,511	14,177
Prepaid Maintenance Contract	9,508	9,330
Prepaid Music License	139,258	123,862
Prepaid Professional Fees	125,406	115,384
Prepaid Rent	31,148	33,222
Total Prepaid Expenses	\$ 342,471	\$ 312,175

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Years Ended June 30, 2015 and 2014

**Note 8: *Fixed Assets and Accumulated Depreciation***

Fixed assets and accumulated depreciation at June 30, 2015 and 2014 consist of the following:

	<b>2015</b>	<b>2014</b>
Land	\$ 4,634,765	\$ 4,634,765
Office Building	4,902,383	4,871,999
Furniture, Fixtures, and Equipment	8,784,407	8,721,161
Radio Stations, Buildings, Equipment and Towers	28,935,580	27,903,337
Automotive Equipment	473,526	440,372
Total Assets at Cost	47,730,661	46,571,634
Less: Accumulated Depreciation	(32,539,248)	(30,979,346)
Net Fixed Assets	\$ 15,191,413	\$ 15,592,288

Depreciation allocated to program and supporting services for the years ended June 30, 2015 and 2014 was \$1,559,902 and \$1,659,433.

**Note 9: *Other Assets***

Other assets at June 30, 2015 and 2014 consist of the following:

	<b>2015</b>	<b>2014</b>
Deposits	\$ 15,992	\$ 15,992
Employee Advances	442	-
Total Other Assets	\$ 16,434	\$ 15,992

**Note 10: *Accrued Expenses***

Accrued expenses at June 30, 2015 and 2014 consist of the following:

	<b>2015</b>	<b>2014</b>
Accrued Salaries	\$ 107,661	\$ 130,675
Accrued Vacation Payable	242,014	223,675
Accrued Sick Leave Payable	108,979	96,151
Deferred Rent	11,742	11,564
Deferred Public Education	-	3,665,074
Payroll Related Liabilities Payable	49,729	54,957
Total Accrued Expenses	\$ 520,125	\$ 4,182,096

**Note 11: *Annuity Reserve***

The annuity reserve represents an amount calculated in which the gift annuity trust will pay over the life of the trust. This amount is based upon an actuarial determined amount paid to the non-charitable beneficiary. The annuity trust will pay a stated dollar amount, which remains fixed over the life of the trust. The annuity reserve as of June 30, 2015 and 2014 was \$3,375,385 and \$3,375,385.

The annuity reserve is collateralized by investments, which consists of cash, U.S. government bonds, mutual funds and equities in publicly traded companies in the United States of America. The investments are being managed by a professional brokerage firm.

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Years Ended June 30, 2015 and 2014

## **Note 12: *Present Value of Income Interest***

The present value of income interest represents the present value of the projected income stream for the charitable remainder unitrust, which is a liability to the Organization. The charitable remainder unitrust will pay a stated percentage of the current value of the trust assets. This amount is based upon present value calculations. The present value of income interest as of June 30, 2015 and 2014 was \$395,148 and \$275,890.

The present value of income interest is secured by assets segregated into six different charitable remainder unit trusts. The assets in the trust consist of cash, mutual funds, U.S. government bonds, and equities in publicly traded companies in the United States of America. The investments are being managed by a professional brokerage firm.

## **Note 13: *Concentration of Credit Risk***

The organization receives contributions from across the United States. The largest contributing areas of the nation are primarily the Southeastern and Southwestern portions of the United States. The Organization's bank balance as of June 30, 2015 was \$12,223,946 of which \$9,720,467 is in excess of FDIC and SIPC insurance limits. The Organization's bank balance as of June 30, 2014 was \$7,183,036 of which \$988,180 is in excess of FDIC and SIPC insurance limits.

## **Note 14: *Allocation of Joint Costs***

During the year ending June 30, 2015, the organization incurred joint costs of \$18,971,799 in activities that included fund raising appeals. Of those costs, \$17,395,703 was allocated to program services, \$932,950 was allocated to general and administrative expenses and \$643,146 was allocated to fundraising expense.

During the year ending June 30, 2014, the organization incurred joint costs of \$19,771,760 in activities that included fund raising appeals. Of those costs, \$18,048,110 was allocated to program services, \$1,053,388 was allocated to general and administrative expenses and \$670,262 was allocated to fundraising expense.

## **Note 15: *401(k) Plan and Trust***

All full time employees, after completion of one year of service and attainment of age 25, are eligible for coverage by the Organization's contributory 401(k) plan and trust. The Organization matches eligible employee contributions to the plan of up to 10% of their compensation. For the year ending June 30, 2015, matching contributions to the plan by the Organization amounted to \$310,371. For the year ending June 30, 2014, matching contributions to the plan by the Organization amounted to \$274,604.

## **Note 16: *Leases***

The Organization has leased certain facilities for audio transmissions under operating lease agreements. Rental expense for years ended June 30, 2015 and 2014 totaled \$360,814 and \$345,892. Future minimum payments, by year and in the aggregate, under non-cancelable operating leases with initial or remaining terms of one year or more consisted of the following at June 30, 2015:

<u>Year</u>		<u>Amount</u>
2016	\$	334,564
2017	\$	334,564
2018	\$	334,564
2019	\$	334,564
2020	\$	334,564

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Years Ended June 30, 2015 and 2014

**Note 17: *Related Party Transactions***

The Organization had related party transactions for the year ended June 30, 2015 and 2014 consisting of the following:

	<u>2015</u>	<u>2014</u>
Financial consulting contract with a board member.	\$ 157,793	\$ 147,046
Donor relations contract with a family member of an officer for tour related services for supporters.	116,497	94,000
AFA Action, Inc.	5,632,500	3,369,930
Total Related Party Transactions	<u>\$ 5,906,790</u>	<u>\$ 3,610,976</u>

**Note 18: *Unrelated Business Income***

The Organization generates unrelated business income through various advertising, rental income, and commission arrangements. Expenses related to the production of unrelated business income and then deducted from the income produced. For the year ended June 30, 2015, the Organization showed a net unrelated business income of \$18,321. For the year ended June 30, 2014, the organization showed a net unrelated business income of \$123,616.

***SUPPLEMENTAL  
INFORMATION***



# AMERICAN FAMILY ASSOCIATION, INC.

Schedule of Functional Expenses  
Year Ended June 30, 2015

	2015			
	Program Services	General and Administrative	Fund Raising	Total
Annuity Payments	\$ -	\$ -	\$ 268,341	\$ 268,341
Auto Usage	19,338	1,179	720	21,237
Bank Charges	50,785	3,095	1,891	55,771
Computer Expense	111,643	6,805	4,156	122,604
Computer Programs	90,166	5,495	3,357	99,018
Commissions	7,797	230	282	8,309
Conferences	36,301	2,213	1,351	39,865
Contract Engineering	184,202	11,227	6,858	202,287
Contract Labor	35,407	2,158	1,318	38,883
Contributions	44,458	2,710	1,655	48,823
Credit and Collection	107,816	6,571	4,014	118,401
Depreciation	1,463,812	43,209	52,881	1,559,902
Dues	11,300	689	421	12,410
Employee Relations	117,283	7,148	4,366	128,797
Equipment Rental	23,378	1,425	870	25,673
Extra Labor	275,403	16,785	10,253	302,441
Floral and Gifts	5,831	355	217	6,403
Freight and Shipping	292	18	11	321
Fundraising Consultants	94,825	5,779	3,530	104,134
Grounds and Maintenance	43,983	2,681	1,637	48,301
Group Insurance	721,559	43,978	26,862	792,399
Honorariums	10,335	630	385	11,350
Housing Allowance	70,861	4,319	2,638	77,818
Insurance	94,356	5,751	3,513	103,620
Internet Broadcasting Fees	243,134	7,177	8,783	259,094
Investment Fees	24,035	1,465	895	26,395
Janitorial Expense	26,442	1,612	984	29,038
Kitchen Expense	7,226	440	269	7,935
Legal Services	31,626	1,928	1,177	34,731
Licenses and Permits	439,087	12,961	15,862	467,910
Meals and Entertainment	49,149	2,996	1,830	53,975
Miscellaneous	275	17	10	302
Moving Expenses	1,821	111	68	2,000
Office Supplies and Expense	57,326	3,494	2,134	62,954
Pension Plan	315,216	19,212	11,735	346,163
Pest Control	4,155	253	155	4,563
Postage	1,050,673	31,014	37,956	1,119,643

The accompanying notes are an integral part of these financial statements.

## AMERICAN FAMILY ASSOCIATION, INC.

Schedule of Functional Expenses  
Year Ended June 30, 2015

	2015			
	Program Services	General and Administrative	Fund Raising	Total
Printing and Publication	794,550	23,454	28,703	846,707
Production	128,089	7,807	4,769	140,665
Products and Premiums	573,878	16,940	20,732	611,550
Professional Fees	208,162	86,627	10,344	305,133
Program Services	121,890	7,429	4,538	133,857
Promotional Expenses	610,334	37,199	22,722	670,255
Public Education	8,702,319	-	-	8,702,319
Registration Fees	53,625	3,268	1,996	58,889
Rent	328,557	20,025	12,232	360,814
Repairs	735,266	21,704	26,562	783,532
Resource Material	8,491	518	316	9,325
Salaries	5,307,540	323,488	197,590	5,828,618
Satellite Service Network	170,711	10,405	6,355	187,471
Scholarships	59,188	3,608	2,204	65,000
Security	2,197	134	82	2,413
Sharathon Expenses	112,183	6,837	4,176	123,196
Social Security Taxes	328,205	20,004	12,218	360,427
Special Events and Projects	3,653	223	136	4,012
Subscriptions	628	38	23	689
State Unemployment Taxes	8,395	512	313	9,220
Taxes and Licenses	94,470	5,758	3,517	103,745
Telephone	201,145	12,260	7,488	220,893
Training and Education	294,573	17,954	10,966	323,493
Trash	12,857	784	479	14,120
Travel	228,363	13,918	8,502	250,783
Uniforms	8,744	533	326	9,603
Use Taxes	34,190	2,084	1,273	37,547
Utilities	1,094,523	32,309	39,540	1,166,372
Total	\$ 26,098,022	\$ 932,950	\$ 911,487	\$ 27,942,459

The accompanying notes are an integral part of these financial statements.

## AMERICAN FAMILY ASSOCIATION, INC.

Schedule of Functional Expenses  
Year Ended June 30, 2014

	2014			
	Program Services	General and Administrative	Fund Raising	Total
Amortization	\$ 2,560	\$ 156	\$ 95	\$ 2,811
Annuity Payments	-	-	267,653	267,653
Auto Usage	17,985	1,096	670	19,751
Bank Charges	107,132	6,530	3,988	117,650
Computer Expense	182,493	11,123	6,794	200,410
Computer Programs	41,534	2,531	1,546	45,611
Commissions	47,105	1,390	1,702	50,197
Conferences	204,558	12,468	7,615	224,641
Contract Engineering	190,414	11,605	7,089	209,108
Contract Labor	29,505	1,798	1,098	32,401
Contributions	26,062	1,588	970	28,620
Credit and Collection	64,974	3,960	2,419	71,353
Depreciation	1,557,212	45,966	56,255	1,659,433
Dues	13,242	807	493	14,542
Employee Relations	92,809	5,657	3,455	101,921
Equipment Rental	15,137	923	564	16,624
Extra Labor	278,862	16,996	10,382	306,240
Floral and Gifts	4,241	258	158	4,657
Freight and Shipping	865	53	32	950
Fundraising Consultants	19,531	1,190	727	21,448
Grounds and Maintenance	44,265	2,698	1,648	48,611
Group Insurance	875,559	53,364	32,595	961,518
Honorariums	70,344	4,287	2,619	77,250
Housing Allowance	69,633	4,244	2,592	76,469
Insurance	94,189	5,741	3,506	103,436
Internet Broadcasting Fees	253,525	7,484	9,159	270,168
Investment Fees	75,043	4,574	2,794	82,411
Janitorial Expense	26,449	1,612	985	29,046
Kitchen Expense	8,966	546	334	9,846
Legal Services	181,241	11,046	6,747	199,034
Licenses and Permits	465,857	13,751	16,829	496,437
Meals and Entertainment	47,594	2,901	1,772	52,267
Miscellaneous	121	7	4	132
Moving Expenses	2,874	175	107	3,156
Office Supplies and Expense	57,262	3,490	2,132	62,884
Pension Plan	288,536	17,586	10,742	316,864
Pest Control	4,055	247	151	4,453
Postage	1,060,837	31,314	38,323	1,130,474

The accompanying notes are an integral part of these financial statements.

## AMERICAN FAMILY ASSOCIATION, INC.

Schedule of Functional Expenses  
Year Ended June 30, 2014

	2014			
	Program Services	General and Administrative	Fund Raising	Total
Printing and Publication	775,545	22,893	28,017	826,455
Production	273,787	16,687	10,193	300,667
Products and Premiums	501,404	14,801	18,113	534,318
Professional Fees	432,063	179,804	21,470	633,337
Program Services	134,295	8,185	5,000	147,480
Promotional Expenses	477,017	29,074	17,758	523,849
Public Education	6,936,664	-	-	6,936,664
Registration Fees	23,830	1,452	887	26,169
Rent	314,969	19,197	11,726	345,892
Repairs	705,808	20,834	25,498	752,140
Resource Material	7,580	462	282	8,324
Salaries	4,877,458	297,275	181,579	5,356,312
Satellite Service Network	170,464	10,390	6,346	187,200
Scholarships	70,572	4,301	2,627	77,500
Security	6,809	415	253	7,477
Sharathon Expenses	53,906	3,285	2,007	59,198
Social Security Taxes	408,426	24,893	15,205	448,524
Special Events and Projects	19,555	1,192	728	21,475
Subscriptions	592	36	22	650
State Unemployment Taxes	20,259	1,235	754	22,248
Taxes and Licenses	112,271	6,843	4,180	123,294
Telephone	271,963	16,576	10,125	298,664
Training and Education	424,249	25,858	15,794	465,901
Trash	11,617	708	432	12,757
Travel	374,859	22,847	13,955	411,661
Uniforms	7,063	431	263	7,757
Use Taxes	50,323	3,067	1,873	55,263
Utilities	998,855	29,485	36,084	1,064,424
Total	\$ 24,984,774	\$ 1,053,388	\$ 937,915	\$ 26,976,077

The accompanying notes are an integral part of these financial statements.