

**AMERICAN FAMILY ASSOCIATION, INC.**  
**AUDIT REPORT AND**  
**SUPPLEMENTAL INFORMATION**  
**YEARS ENDED JUNE 30, 2016 AND 2015**



**Certified Public Accountants**

**AMERICAN FAMILY ASSOCIATION, INC.**

**Tupelo, Mississippi**

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**June 30, 2016 and 2015**

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Certified Public Accountants

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Member of:  
American Institute of Certified Public Accountants  
Alabama Society of Certified Public Accountants  
Mississippi Society of Certified Public Accountants

### 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, 2016 and 2015, 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, 2016 and 2015, 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.

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## Report on Supplementary Information

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  
January 11, 2017

# AMERICAN FAMILY ASSOCIATION, INC.

Statements of Financial Position

June 30, 2016 and 2015

	<u>Assets</u>	
	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and Cash Equivalents	\$ 16,574,002	\$ 12,602,731
Accounts Receivable	270,475	1,452,129
Unconditional Promises to Give	406,595	433,674
Investments	1,179,416	4,498,935
Notes Receivable, Current	314,750	92,173
Prepaid Expenses	414,532	342,471
Total Current Assets	<u>19,159,770</u>	<u>19,422,113</u>
Fixed Assets		
Land, Buildings and Equipment, Net	<u>14,573,983</u>	<u>15,191,413</u>
Total Fixed Assets	<u>14,573,983</u>	<u>15,191,413</u>
Other Assets		
Other Assets	<u>16,647</u>	<u>16,434</u>
Total Other Assets	<u>16,647</u>	<u>16,434</u>
Total Assets	<u>\$ 33,750,400</u>	<u>\$ 34,629,960</u>
 <u>Liabilities and Net Assets</u> 		
Current Liabilities		
Accounts Payable	\$ 485,029	\$ 276,931
Accrued Expenses	<u>552,410</u>	<u>520,125</u>
Total Current Liabilities	<u>1,037,439</u>	<u>797,056</u>
Long Term Liabilities		
Annuity Reserve	4,023,546	3,554,463
Present Value of Income Interest	<u>213,837</u>	<u>150,880</u>
Total Long Term Liabilities	<u>4,237,383</u>	<u>3,705,343</u>
Total Liabilities	<u>5,274,822</u>	<u>4,502,399</u>
Net Assets		
Unrestricted	<u>28,475,578</u>	<u>30,127,561</u>
Total Net Assets	<u>28,475,578</u>	<u>30,127,561</u>
Total Liabilities and Net Assets	<u>\$ 33,750,400</u>	<u>\$ 34,629,960</u>

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

# AMERICAN FAMILY ASSOCIATION, INC.

Statements of Activities  
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Unrestricted Net Assets:</b>		
Support and Revenue:		
Contributions	\$ 15,942,536	\$ 27,325,708
Royalties	200,728	23,330
Advertising	74,780	62,019
Interest Income	13,772	26,055
Dividend Income	98,391	101,677
Gain on Sale of Equipment	61,302	49,567
Gain on Sale of Broadcast Assets	727,697	1,317,234
Gain on Sale of Investments	470,605	91,137
Unrealized Gain/(Loss) on Investments	(84,933)	(64,334)
Rental Income	398,248	398,689
Other Income	23,354	459,275
Total Support and Revenue	<u>17,926,480</u>	<u>29,790,357</u>
Expenses:		
Program Services	17,733,494	26,098,022
General and Administrative	916,486	932,950
Fund Raising	928,483	911,487
Total Expenses	<u>19,578,463</u>	<u>27,942,459</u>
Total Increase/(Decrease) in Net Assets	(1,651,983)	1,847,898
Net Assets, July 1	<u>30,127,561</u>	<u>28,279,663</u>
Net Assets, June 30	<u>\$ 28,475,578</u>	<u>\$ 30,127,561</u>

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

## AMERICAN FAMILY ASSOCIATION, INC.

### Statements of Cash Flows Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Net Increase/(Decrease) in Net Assets	\$ (1,651,983)	\$ 1,847,898
Adjustments to Reconcile Net (Increase)/Decrease In Net Assets to Net Cash Provided by Operating Activities		
Accounts Receivable	1,181,654	(1,128,375)
Pledges Receivable, Net	27,079	(45,518)
Prepaid Expenses	(72,061)	(30,296)
Employee Advances	(213)	(442)
Depreciation	1,922,732	1,559,902
Accounts Payable	208,098	(88,515)
Annuity Reserve	469,083	179,078
Present Value of Income Interest	62,957	(125,010)
Accrued Expenses	32,285	(3,661,971)
Net Cash Provided/(Used) - Operating Activities	2,179,631	(1,493,249)
Cash Flows from Investing Activities		
Investments	3,319,519	7,793,910
Buildings, Equipment, Furniture, and Fixtures	(1,305,302)	(1,159,027)
Net Cash Provided/(Used) - Investing Activities	2,014,217	6,634,883
Cash Flows from Financing Activities		
Note Receivable on Sale of Fixed Assets	(222,577)	540
Net Cash Provided/(Used) - Financing Activities	(222,577)	540
Net Increase/(Decrease) in Cash and Cash Equivalents	3,971,271	5,142,174
Cash and Cash Equivalents at the Beginning of the Year	12,602,731	7,460,557
Cash and Cash Equivalents at the End of the Year	\$ 16,574,002	\$ 12,602,731
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, 2016 and 2015

## **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 since 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, 2016 and 2015

## 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 \$16,371, 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, 2016, the Organization has evaluated subsequent events for potential recognition and disclosure through January 11, 2017, the date which the financial statements were available to be issued. No adjustments were considered necessary to the financial statements.

## Note 2: *Accounts Receivable*

Accounts receivable consists of underwriting agreements the Organization has entered that have not yet been collected. The accounts receivable aging at June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Current	\$ 213,252	\$ 1,382,423
31-60 days	1,625	15,635
61-90 days	30,985	48,178
Over 90 days	24,613	5,893
Total Accounts Receivable	<u>\$ 270,475</u>	<u>\$ 1,452,129</u>

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Years Ended June 30, 2016 and 2015

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

Unconditional promises to give at June 30, 2016 and 2015 consist of the following:

	<b>2016</b>	<b>2015</b>
Unrestricted Promises	\$ 575,300	\$ 626,561
Allowance for Uncollectible Unrestricted Promises	(168,705)	(192,887)
Net Unconditional Promises to Give	\$ 406,595	\$ 433,674
Amounts Due in:		
Less Than One Year	\$ 406,595	\$ 433,674
One to Five Years	-	-
Total	\$ 406,595	\$ 433,674

Bad debt expense for the year ended June 30, 2016 and 2015 was \$0 and \$0.

**Note 4: *Investments***

Investments are stated at fair market value. Fair values and unrealized appreciation (depreciation) at June 30, 2016 and 2015 are summarized as follows:

	<b>2016</b>	<b>2015</b>
Cost	\$ 1,264,349	\$ 4,563,269
Fair Value	1,179,416	4,498,935
Unrealized Gain (Loss)	\$ (84,933)	\$ (64,334)

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

Stocks	\$ 751,920	\$ 1,763,897
Mutual Funds	63,617	1,456,637
Annuities	-	121,853
Real Estate	25,500	25,500
Media	-	755,520
Bonds	338,379	375,528
Total	\$ 1,179,416	\$ 4,498,935

All investment returns are classified as unrestricted in the statement of activities for the years ending June 30, 2016 and 2015.

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Years Ended June 30, 2016 and 2015

**Note 5: Fair Value Measurements**

Fair values of assets measured on a recurring basis at June 30, 2016 and 2015 are as follows:

<b>Fair Value Measurements at Reporting Date Using</b>				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Inputs are unobservable (Level 3)
<u>June 30, 2016</u>				
Investments	\$ 1,179,416	\$ 1,153,916	\$ 25,500	\$ -
<u>June 30, 2015</u>				
Investments	\$ 4,498,935	\$ 3,717,915	\$ 25,500	\$ 755,520

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 can 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, 2016 and 2015

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

During the years ended June 30, 2016 and 2015, Level 3 investments consisted of the following activity:

	2016	2015
Beginning Balance	\$ 755,520	\$ 1,515,181
Investments in media projects	-	5,801
Media projects completed	(755,520)	(765,462)
Ending Balance	\$ -	\$ 755,520

**Note 6: Notes Receivable**

The Notes Receivable balance as of June 30, 2016 and 2015 consists of the following:

	2016	2015
Employee Notes Receivable	\$ -	\$ 92,173
Christ Church Media, Inc.	314,750	-
Total Notes Receivable, Current and Deferred	\$ 314,750	\$ 92,173

The Employee Notes Receivable balance consists of amounts loaned to various employees of the Organization. All notes agree with the terms applicable to each individual's note receivable. The notes carry various interest rates. All employee notes have been repaid in the current year.

Christ Church Media, Inc. purchased the rights to *Behold Your God* and *Logic on Fire* DVDs in the amount of \$350,000. Christ Church Media, Inc. agrees to pay the Organization 20% of the gross revenue from the retail sales of *Behold Your God* DVDs and 50% of the gross revenue from the retail sales of *Logic on Fire* DVDs until the note is paid in full. The note does not carry an interest rate. The balance of the note is \$314,750.

Notes receivable payments are due as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 314,750
Total Notes Receivable	314,750
Less: Current Portion	(314,750)
Total Deferred Notes Receivable	\$ -

**Note 7: Prepaid Expenses**

Prepaid expenses at June 30, 2016 and 2015 consist of the following:

	2016	2015
Prepaid Insurance	\$ 15,889	\$ 19,640
Prepaid Internet Contracts	86,729	17,511
Prepaid Maintenance Contract	13,306	9,508
Prepaid Music License	142,003	139,258
Prepaid Professional Fees	127,531	125,406
Prepaid Rent	29,074	31,148
Total Prepaid Expenses	\$ 414,532	\$ 342,471

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Years Ended June 30, 2016 and 2015

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

Fixed assets and accumulated depreciation at June 30, 2016 and 2015 consist of the following:

	<b>2016</b>	<b>2015</b>
Land	\$ 4,634,765	\$ 4,634,765
Office Building	4,971,011	4,902,383
Furniture, Fixtures, and Equipment	8,785,131	8,784,407
Radio Stations, Buildings, Equipment and Towers	30,120,340	28,935,580
Automotive Equipment	524,716	473,526
Total Assets at Cost	49,035,963	47,730,661
Less: Accumulated Depreciation	(34,461,980)	(32,539,248)
Net Fixed Assets	\$ 14,573,983	\$ 15,191,413

Depreciation allocated to program and supporting services for the years ended June 30, 2016 and 2015 was \$1,922,732 and \$1,559,902.

**Note 9: *Other Assets***

Other assets at June 30, 2016 and 2015 consist of the following:

	<b>2016</b>	<b>2015</b>
Deposits	\$ 15,992	\$ 15,992
Employee Advances	655	442
Total Other Assets	\$ 16,647	\$ 16,434

**Note 10: *Accrued Expenses***

Accrued expenses at June 30, 2016 and 2015 consist of the following:

	<b>2016</b>	<b>2015</b>
Accrued Salaries	\$ 122,913	\$ 107,661
Accrued Vacation Payable	243,083	242,014
Accrued Sick Leave Payable	107,653	108,979
Deferred Rent	1,125	11,742
Payroll Related Liabilities Payable	77,636	49,729
Total Accrued Expenses	\$ 552,410	\$ 520,125

**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, 2016 and 2015 was \$4,023,546 and \$3,554,463.

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, 2016 and 2015

## **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, 2016 and 2015 was \$213,837 and \$150,880.

The present value of income interest is secured by assets segregated into 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, 2016 was \$16,700,810 of which \$13,473,438 is in excess of FDIC and SIPC insurance limits. 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.

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

During the year ending June 30, 2016, the organization incurred joint costs of \$19,225,539 in activities that included fund raising appeals. Of those costs, \$17,657,311 was allocated to program services, \$916,486 was allocated to general and administrative expenses and \$651,742 was allocated to fundraising expense.

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.

## **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, 2016, matching contributions to the plan by the Organization amounted to \$299,168. For the year ending June 30, 2015, matching contributions to the plan by the Organization amounted to \$310,371.

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

The Organization has leased certain facilities for audio transmissions under operating lease agreements. Rental expense for years ended June 30, 2016 and 2015 totaled \$398,417 and \$360,814. 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, 2016:

<u>Year</u>		<u>Amount</u>
2017	\$	373,925
2018	\$	373,925
2019	\$	373,925
2020	\$	373,925
2021	\$	373,925

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Years Ended June 30, 2016 and 2015

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

The Organization had related party transactions for the year ended June 30, 2016 and 2015 consisting of the following:

	<u>2016</u>	<u>2015</u>
Financial consulting contract with a board member.	\$ 156,420	\$ 157,793
Donor relations contract with a family member of an officer for tour related services for supporters.	131,318	116,497
AFA Action, Inc.	626,776	5,632,500
Total Related Party Transactions	<u>\$ 914,514</u>	<u>\$ 5,906,790</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, 2016, the Organization showed a net unrelated business income of \$16,371. For the year ended June 30, 2015, the organization showed a net unrelated business income of \$18,321.

***SUPPLEMENTAL  
INFORMATION***



# AMERICAN FAMILY ASSOCIATION, INC.

## Schedule of Functional Expenses

Year Ended June 30, 2016

	2016			
	Program Services	General and Administrative	Fund Raising	Total
Annuity Payments	\$ -	\$ -	\$ 276,741	\$ 276,741
Auto Usage	18,214	1,110	678	20,002
Bank Charges	53,190	3,242	1,980	58,412
Computer Expense	141,472	8,623	5,267	155,362
Computer Programs	46,589	2,840	1,734	51,163
Commissions	8,839	261	319	9,419
Conferences	21,758	1,326	810	23,894
Contract Engineering	179,606	10,947	6,686	197,239
Contract Labor	82,381	5,021	3,067	90,469
Contributions	74,361	4,532	2,768	81,661
Credit and Collection	141,761	8,640	5,277	155,678
Depreciation	1,804,291	53,260	65,181	1,922,732
Dues	12,009	732	447	13,188
Employee Relations	83,678	5,100	3,115	91,893
Equipment Rental	15,270	931	568	16,769
Extra Labor	232,964	14,199	8,673	255,836
Floral and Gifts	5,025	306	187	5,518
Freight and Shipping	67	4	2	73
Fundraising Consultants	265,046	16,154	9,867	291,067
Grounds and Maintenance	60,089	3,662	2,237	65,988
Group Insurance	833,194	50,782	31,018	914,994
Honorariums	18,485	1,127	688	20,300
Housing Allowance	100,670	6,136	3,748	110,554
Insurance	112,392	6,850	4,184	123,426
Internet Broadcasting Fees	308,821	9,116	11,156	329,093
Investment Fees	14,460	881	538	15,879
Janitorial Expense	26,082	1,590	971	28,643
Kitchen Expense	1,486	91	55	1,632
Legal Services	5,075	309	189	5,573
Licenses and Permits	487,468	14,389	17,610	519,467
Meals and Entertainment	37,548	2,289	1,398	41,235
Miscellaneous	117	7	4	128
Moving Expenses	15,107	921	562	16,590
Office Supplies and Expense	50,463	3,076	1,879	55,418
Pension Plan	282,880	17,241	10,531	310,652
Pest Control	4,356	266	162	4,784
Postage	1,078,300	31,830	38,954	1,149,084
Printing and Publication	707,682	20,890	25,565	754,137
Production	53,817	3,280	2,004	59,101
Products and Premiums	248,092	7,323	8,962	264,377
Professional Fees	161,133	67,056	8,007	236,196
Program Services	81,454	4,964	3,032	89,450
Promotional Expenses	168,221	10,253	6,263	184,737
Public Education	76,183	-	-	76,183
Registration Fees	29,557	1,801	1,100	32,458

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

## AMERICAN FAMILY ASSOCIATION, INC.

Schedule of Functional Expenses  
Year Ended June 30, 2016

	2016			
	Program Services	General and Administrative	Fund Raising	Total
Rent	\$ 362,799	\$ 22,112	\$ 13,506	\$ 398,417
Repairs	1,182,207	34,897	42,708	1,259,812
Resource Material	6,397	390	238	7,025
Salaries	5,380,196	327,917	200,295	5,908,408
Satellite Service Network	170,812	10,411	6,359	187,582
Scholarships	50,082	3,053	1,865	55,000
Security	19,895	1,213	741	21,849
Sharathon Expenses	76,446	4,659	2,846	83,951
Social Security Taxes	436,429	26,600	16,247	479,276
Special Events and Projects	69,471	4,234	2,586	76,291
Subscriptions	873	53	32	958
State Unemployment Taxes	14,310	872	533	15,715
Taxes and Licenses	75,366	4,594	2,806	82,766
Telephone	146,390	8,922	5,450	160,762
Training and Education	253,680	15,462	9,444	278,586
Trash	13,721	836	511	15,068
Travel	158,472	9,659	5,900	174,031
Uniforms	5,589	341	208	6,138
Use Taxes	84,045	5,122	3,129	92,296
Utilities	1,076,661	31,781	38,895	1,147,337
Total	\$ 17,733,494	\$ 916,486	\$ 928,483	\$ 19,578,463

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
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
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

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
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.