

**AMERICAN FAMILY ASSOCIATION, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**



**Certified Public Accountants**

**AMERICAN FAMILY ASSOCIATION, INC.**

**Tupelo, Mississippi**

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**June 30, 2019**

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American Institute of Certified Public Accountants  
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### 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 entity), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, 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 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 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.

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## 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, 2019, 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.

*The Sparks CPA Firm, P.C.*

The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Red Bay, Alabama  
March 3, 2020

# AMERICAN FAMILY ASSOCIATION, INC.

## Statement of Financial Position

June 30, 2019

Assets	
Cash and Cash Equivalents	\$ 16,912,018
Investments	8,152,191
Accounts Receivable	324,392
Promises to Give, Net	677,862
Inventory	531,117
Prepaid Expenses	435,619
Properties and Equipment, Net	10,794,585
Assets Held Under Split-interest Agreements	364,180
Notes Receivable	480,231
Other Assets	20,992
Total Assets	\$ <u>38,693,187</u>
Liabilities and Net Assets	
Accounts Payable	\$ 535,006
Accrued Expenses	510,831
Annuity Reserve	5,789,137
Liabilities Under Split-interest Agreements	182,886
Total Liabilities	<u>7,017,860</u>
Net Assets	
Without Donor Restrictions	31,494,033
With Donor Restrictions - Split-interest Agreements	181,294
Total Net Assets	<u>31,675,327</u>
Total Liabilities and Net Assets	\$ <u><u>38,693,187</u></u>

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

# AMERICAN FAMILY ASSOCIATION, INC.

Statement of Activities  
Year Ended June 30, 2019

Changes in Net Assets Without Donor Restrictions	
Revenue, Support, and Gains	
Contributions	\$ 18,216,364
Royalties	62,733
Advertising	46,170
Interest Income	193,468
Dividend Income	109,164
Gain on Sale of Equipment	331,724
Gain on Sale of Broadcast Assets	2,270,927
Gain on Sale of Investments	50,294
Unrealized Loss on Investments	(84,951)
Rental Income	285,095
Total Revenue, Support, and Gains Without Donor Restrictions	<u>21,480,988</u>
Expenses:	
Program Services	16,776,228
General and Administrative	1,416,525
Fund Raising	1,399,252
Total Expenses	<u>19,592,005</u>
Increase in Net Assets Without Donor Restrictions	<u>1,888,983</u>
Changes in Net Assets With Donor Restrictions	
Change in Value of Split-interest Agreements	<u>1,608</u>
Increase/(Decrease) in Temporarily Restricted Net Assets	<u>1,608</u>
Increase in Net Assets	1,890,591
Net Assets at Beginning of Year	<u>29,784,736</u>
Net Assets at End of Year	<u>\$ 31,675,327</u>

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

## AMERICAN FAMILY ASSOCIATION, INC.

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services	General and Administrative	Fund Raising	Total
Annuity Payments	\$ -	\$ -	\$ 374,131	\$ 374,131
Auto Usage	18,402	1,423	508	20,333
Bank Charges	44,962	3,478	1,242	49,682
Computer Expense	236,299	18,277	6,528	261,104
Commissions	4,868	377	135	5,380
Conferences	40,893	3,163	1,130	45,186
Contract Engineering	114,752	8,876	3,170	126,798
Contract Labor	193,262	14,949	5,339	213,550
Contributions	101,396	7,843	2,801	112,040
Credit and Collection	58,327	4,512	1,611	64,450
Depreciation	1,506,683	116,539	41,621	1,664,843
Dues	6,770	524	187	7,481
Employee Relations	46,435	3,592	1,283	51,310
Equipment Rental	19,753	1,528	546	21,827
Extra Labor	287,752	22,257	7,949	317,958
Floral and Gifts	8,631	668	238	9,537
Freight and Shipping	4,241	328	117	4,686
Grounds and Maintenance	101,616	7,860	2,807	112,283
Group Insurance	750,735	68,693	11,318	830,746
Honorariums	56,375	4,360	1,557	62,292
Housing Allowance	111,918	8,657	3,092	123,667
Insurance	124,894	9,660	3,450	138,004
Internet Broadcasting Fees	395,518	30,593	10,926	437,037
Investment Fees	316	25	9	350
Janitorial Expense	23,107	1,787	638	25,532
Kitchen Expense	5,226	404	144	5,774
Legal Services	8,374	648	231	9,253
Licenses and Permits	277,623	21,474	7,669	306,766
Meals and Entertainment	47,367	3,664	1,309	52,340
Office Supplies and Expense	69,793	5,398	1,928	77,119
Pension Plan	341,971	27,477	4,527	373,975
Pest Control	3,207	248	89	3,544
Postage	674,625	64,238	178,816	917,679
Printing and Publication	900,811	75,972	108,531	1,085,314
Production	526,151	40,697	14,535	581,383
Products and Premiums	336,496	26,027	9,295	371,818
Professional Fees	326,066	36,228	60,500	422,794
Program Services	32,525	2,516	899	35,940
Promotional Expenses	256,376	19,830	7,082	283,288
Public Education	35,973	2,783	994	39,750
Registration Fees	31,038	2,401	857	34,296

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

## AMERICAN FAMILY ASSOCIATION, INC.

Statement of Functional Expenses  
Year Ended June 30, 2019

	Program Services	General and Administrative	Fund Raising	Total
Rent	\$ 467,923	\$ 36,193	\$ 12,926	\$ 517,042
Repairs	463,388	35,842	12,801	512,031
Resource Material	6,073	470	168	6,711
Salaries	5,169,459	457,951	75,451	5,702,861
Satellite Service Network	92,351	7,143	2,551	102,045
Scholarships	64,255	4,970	1,775	71,000
Security	12,318	953	340	13,611
Sharathon Expenses	-	-	195,461	195,461
Social Security Taxes	370,295	36,636	6,036	412,967
Special Events and Projects	27,602	2,135	763	30,500
Subscriptions	12,148	940	336	13,424
State Unemployment Taxes	5,912	457	163	6,532
Taxes and Licenses	82,204	6,358	2,271	90,833
Telephone	115,006	8,896	3,177	127,079
Training and Education	478,129	48,784	170,000	696,913
Trash	14,267	1,103	394	15,764
Travel	200,003	15,470	5,525	220,998
Uniforms	11,361	879	314	12,554
Use Taxes	63,404	4,904	1,751	70,059
Utilities	988,603	76,467	27,310	1,092,380
Total	\$ <u>16,776,228</u>	\$ <u>1,416,525</u>	\$ <u>1,399,252</u>	\$ <u>19,592,005</u>

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



# AMERICAN FAMILY ASSOCIATION, INC.

Statement of Cash Flows

Year Ended June 30, 2019

Cash Flows from Operating Activities	
Net Increase/(Decrease) in Net Assets	\$ 1,890,591
Adjustments to Reconcile Net (Increase)/Decrease In Net Assets to Net Cash Provided by Operating Activities	
Accounts Receivable	33,086
Promises to Give, Net	(90,407)
Prepaid Expenses	11,301
Depreciation	1,664,843
Inventory	44,121
Other Assets	500
Accounts Payable	191,251
Annuity Reserve	544,736
Liabilities Under Split-interest Agreements	(21,380)
Accrued Expenses	76,552
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Net Cash Provided/(Used) - Operating Activities	4,345,194
Cash Flows from Investing Activities	
Investments	(3,019,304)
Property and Equipment, Net	(456,284)
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Net Cash Provided/(Used) - Investing Activities	(3,475,588)
Cash Flows from Financing Activities	
Note Receivable on Sale of Fixed Assets	255,140
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Net Cash Provided/(Used) - Financing Activities	255,140
Net Increase/(Decrease) in Cash and Cash Equivalents	1,124,746
Cash and Cash Equivalents at the Beginning of the Year	15,787,272
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Cash and Cash Equivalents at the End of the Year	\$ 16,912,018
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Supplemental Disclosures of Cash Flow Information:	
Cash Paid During the Year for Interest Expense	\$ -
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The accompanying notes are an integral part of these financial statements.

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2019

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

The American Family Association, Inc. (the Organization) is a nonprofit Christian organization promoting the Biblical ethics 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 3 and Note 7 respectively and are considered by management to be fully collectible.

*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.

*Promises to Give.* We record unconditional promises to give that are expected to be collected within one year at net realizable value. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. See Note 4 for more information.

*Inventory.* Inventory comprises program-related merchandise held for sale and is stated at the lower of cost or market determined by the first-in first-out method. No allowance for inventory obsolescence is considered necessary at June 30, 2019.

*Property and Equipment.* We record property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2019

## *Assets Held and Liabilities Under Split-interest Agreements.*

*Charitable Trusts.* We act as trustee for various revocable and irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to us, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. If a trust is revocable, or if the maker of the trust reserves the right to replace us as the beneficiary of the trust, we record the assets placed in trust at fair value, with an equal and offsetting liability until such time that we receive distributions from the trust in accordance with its terms. If the trust is irrevocable, the trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a contribution with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the donor-restricted purpose stipulated by the trust agreement, or both, if any. At that time, net assets with donor-imposed time or purpose restrictions are released to net assets without restrictions, and net assets with donor restrictions that are perpetual in nature are transferred to the endowment. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the trust, the remaining liability is removed and recognized as income.

*Charitable Gift Annuities.* Under charitable gift annuity contracts, we receive immediate and unrestricted title to contributed assets and agree to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

*Investments.* We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

*Net Assets.* Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-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.

*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 stipulates 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.

*Revenue and Revenue Recognition.* 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 donor 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2019

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

*Functional Allocation of Expenses.* The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*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 \$71,274, see Note 22.

*Change in Accounting Principle.* On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which decreased net assets without donor restrictions by \$179,686 and increased net asset with donor restrictions by \$179,686 resulting from the reclassifications of assets and liabilities held under split-interest agreements.

*Subsequent Events.* For the year ended June 30, 2019, the Organization has evaluated subsequent events for potential recognition and disclosure through March 3, 2020, the date which the financial statements were available to be issued. No adjustments were considered necessary to the financial statements.

## **Note 2: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Cash and Cash Equivalents	\$ 16,912,018
Investments	8,152,191
Accounts Receivable	324,392
Promises to Give	677,862
Notes Receivable	480,231
	<u>\$ 26,546,694</u>

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds.

## **Note 3: Accounts Receivable**

Accounts receivable consists of underwriting agreements the Organization has entered that have not yet been collected. The accounts receivable aging is as follows:

Current	\$ 255,929
31-60 days	2,100
61-90 days	37,719
Over 90 days	28,644
Total Accounts Receivable	<u>\$ 324,392</u>

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2019

**Note 4: Promises to Give, Net**

Unconditional promises to give consist of the following:

Unrestricted Promises	\$	887,678
Allowance for Uncollectible Unrestricted Promises		(209,816)
Net Unconditional Promises to Give	\$	<u>677,862</u>
Amounts Due in:		
Less Than One Year	\$	677,862
One to Five Years		-
Total	\$	<u>677,862</u>

Bad debt expense for the year was \$0.

**Note 5: Investments**

Investments are stated at fair market value. Fair values and unrealized depreciation are summarized as follows:

Cost	\$	8,237,142
Fair Value		8,152,191
Unrealized Gain (Loss)	\$	<u>(84,951)</u>

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

Stocks	\$	1,216,450
Mutual Funds		1,248,255
Real Estate		25,500
Bonds		5,661,986
Total	\$	<u>8,152,191</u>

All investment returns are classified as unrestricted in the statement of activities for the years ending June 30, 2019.

**Note 6: Fair Value Measurements**

Fair values of assets measured on a recurring basis are as follows:

<b>Fair Value Measurements at Reporting Date Using</b>				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Inputs are unobservable (Level 3)
	<u>Fair Value</u>			
Investments	\$ <u>8,152,191</u>	\$ <u>8,126,691</u>	\$ <u>25,500</u>	\$ <u>-</u>
Assets Held Under Split- interest Agreements	\$ <u>364,180</u>	\$ <u>364,180</u>	\$ <u>-</u>	\$ <u>-</u>

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

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2019

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;
- 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. There were no Level 3 investments as of June 30, 2019.

## Note 7: **Notes Receivable**

The Notes Receivable balance consists of the following:

Community Broadcasting, Inc.	\$	115,000
Christ Church Media, Inc.		225,561
Vertical Bridge Acquisition		134,100
Other		5,570
Total Notes Receivable	\$	<u>480,231</u>

Community Broadcasting, Inc. purchased radio stations in Fort Smith, AR and Rapid City, SD for \$460,000. American Family Association received \$115,000 during fiscal year ending June 30, 2019 and will receive annual payments as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ <u>115,000</u>
Total Note Receivable	\$ <u>115,000</u>

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 \$225,561.

Vertical Bridge Acquisition purchased the Richmond and Charles City towers in Virginia. This amount represents an escrow amount of 5% of the sales price. The \$134,100 escrow amount was paid subsequent to year end.

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2019

## Note 8: *Inventory*

The inventory balance as of June 30, 2019 \$531,117 which consists of products and Christian DVD's that are for sale through the AFA online store. Inventory is valued at cost.

## Note 9: *Prepaid Expenses*

Prepaid expenses consist of the following:

Prepaid Insurance	\$	24,015
Prepaid Internet Contracts		101,039
Prepaid Maintenance Contract		32,811
Prepaid Music License		136,896
Prepaid Professional Fees		114,778
Prepaid Rent		26,080
Total Prepaid Expenses	\$	<u>435,619</u>

## Note 10: *Property and Equipment, Net*

Property and Equipment, Net consists of the following:

Land	\$	4,654,577
Office Building		4,020,630
Furniture, Fixtures, and Equipment		8,788,428
Radio Stations, Buildings, Equipment and Towers		31,641,265
Automotive Equipment		543,615
Total Assets at Cost		<u>49,648,515</u>
Less: Accumulated Depreciation		<u>38,853,930</u>
Net Fixed Assets	\$	<u>10,794,585</u>

Depreciation allocated to program and supporting services was \$1,664,843.

## Note 11: *Other Assets*

Other assets consist of the following:

Deposits	\$	<u>20,992</u>
Total Other Assets	\$	<u>20,992</u>

## Note 12: *Accrued Expenses*

Accrued expenses consist of the following:

Accrued Salaries	\$	260,905
Accrued Leave		230,396
Deferred Rent		2,125
Payroll Related Liabilities Payable		17,405
Total Accrued Expenses	\$	<u>510,831</u>

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2019

## Note 13: *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 is valued at \$5,789,137.

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.

## Note 14: *Liabilities Under Split-interest Agreements*

The liabilities under split-interest agreements 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 liabilities under split-interest agreements are valued at \$182,886.

The liabilities under split-interest agreements are 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.

## Note 15: *Net Assets With Donor Restrictions*

Net assets with donor restrictions are restricted for the following purposes.

Subject to the passage of time:

Assets held under split-interest agreements	\$	181,294
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## Note 16: *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, 2019 was \$17,475,383 of which \$14,464,185 is in excess of FDIC and SIPC insurance limits.

## Note 17: *Joint Costs of Activities That Include a Fund-Raising Appeal*

The Organization produces various methods of communications with the public that includes programmatic and administrative information, together with a request for contributions in support of our mission. The costs of producing the communications included joint costs not directly attributable to any single function. Those costs were allocated among the following functional expense categories as follows:

Program Services	\$	16,776,228
General and Administrative		1,416,525
Fund Raising		829,660
Total Joint Costs	\$	<u>19,022,413</u>

## Note 18: *Functionalized Expenses*

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.



# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2019

**Note 19:** *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. Matching contributions to the plan by the Organization amounted to \$332,908.

**Note 20:** *Leases*

The Organization has leased certain facilities for audio transmissions under operating lease agreements. Rental expense totaled \$517,042. 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:

<u>Year</u>		<u>Amount</u>
2020	\$	489,964
2021	\$	489,964
2022	\$	489,964
2023	\$	489,964
2024	\$	489,964

**Note 21:** *Related Party Transactions*

The Organization had related party transactions consisting of the following:

Contract with board member for financial consulting, management, and advising the Association. Board member also conducts a daily radio program on Christian financial and stewardship issues and speaking on behalf of the Association at various events throughout the United States of America.	\$	186,522
Donor relations contract with a family member of an officer for tour related services for supporters.		170,000
Total Related Party Transactions	\$	<u>356,522</u>

**Note 22:** *Unrelated Business Income*

The Organization generates unrelated business income through various advertising, rental income, merchandise sales, and commission arrangements. Expenses related to the production of unrelated business income and then deducted from the income produced. The Organization showed a net unrelated business income of \$71,274.