

AMERICAN FAMILY ASSOCIATION, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2025



Certified Public Accountants

AMERICAN FAMILY ASSOCIATION, INC.

Tupelo, Mississippi

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June 30, 2025

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Certified Public Accountants

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American Institute of Certified Public Accountants
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Mississippi Society of Certified Public Accountants

www.sparkscpas.com

Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of American Family Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Family Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Family Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the

Muscle Shoals, Alabama
Phone: (256) 314-5082

Red Bay, Alabama
Phone: (256) 356-9375

Sheffield, Alabama
Phone: (256) 381-1473

Booneville, Mississippi
Phone: (662) 728-6172

Corinth, Mississippi
Phone: (662) 286-7082

Iuka, Mississippi
Phone: (662) 423-5057

aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 American Family Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Family Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, flowing script.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
October 31, 2025

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Financial Position
June 30, 2025

Assets

Cash and Cash Equivalents	\$	1,329,075
Investments		44,399,589
Accounts Receivable, Net		625,150
Promises to Give, Net		1,841,399
Inventory		248,221
Prepaid Expenses		253,682
Properties and Equipment, Net		20,344,823
Operating Lease Right of Use Asset		2,126,672
Assets Held Under Split-interest Agreements		391,031
Notes Receivable		166,607
Software Development Costs, Net		185,600
Other Assets		20,202
Total Assets	\$	<u>71,932,051</u>

Liabilities

Accounts Payable	\$	392,158
Accrued Expenses		327,406
Annuity Reserve		10,052,350
Liabilities Under Split-interest Agreements		231,916
Operating Lease Liability		<u>2,126,672</u>
Total Liabilities		<u>13,130,502</u>

Net Assets

Without Donor Restrictions		58,642,434
With Donor Restrictions - Split-interest Agreements		<u>159,115</u>
Total Net Assets		<u>58,801,549</u>
Total Liabilities and Net Assets	\$	<u>71,932,051</u>

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

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Activities
Year Ended June 30, 2025

Changes in Net Assets Without Donor Restrictions

Operating Activities

Revenues and Support

Donor Contributions	\$ 20,729,229
Radio Programs and Underwriting	3,356,138
Conferences, Resources, and Rental Income	512,060
Total Revenues and Support	<u>24,597,427</u>

Expenses

Program Services	21,032,207
General and Administrative	1,641,081
Fund Raising	1,776,091
Total Expenses	<u>24,449,379</u>

Increase (Decrease) from Operating Activities	<u>148,048</u>
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Non-Operating Activities

Investment Income	1,869,159
Unrealized Gain (Loss) on Investments	1,807,449
Gain on Sale of Assets	3,000
Total Non-Operating Activities	<u>3,679,608</u>

Increase (Decrease) from Non-Operating Activities	<u>3,679,608</u>
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Increase (Decrease) in Net Assets Without Donor Restrictions	<u>3,827,656</u>
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Changes in Net Assets With Donor Restrictions

Change in Value of Split-interest Agreements	<u>4,973</u>
Increase/(Decrease) in Net Assets With Donor Restrictions	<u>4,973</u>

Increase in Net Assets	3,832,629
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Net Assets at Beginning of Year	<u>54,968,920</u>
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Net Assets at End of Year	<u>\$ 58,801,549</u>
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The accompanying notes are an integral part of these financial statements.

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Functional Expenses

Year Ended June 30, 2025

	Program Services	General and Administrative	Fund Raising	Total
Amortization	\$ 41,760	\$ 3,480	\$ 1,160	\$ 46,400
Annuity Payments	-	-	744,518	744,518
Auto Usage	21,891	1,824	608	24,323
Bank Charges	258,431	21,536	7,179	287,146
Bad Debts	14,019	-	1,595	15,614
Computer Expense	268,117	22,343	7,448	297,908
Computer Programs	192,122	16,010	5,337	213,469
Conferences	216,390	18,032	6,011	240,433
Contract Engineering	157,304	13,109	4,370	174,783
Contract Labor	912,127	76,011	25,337	1,013,475
Contributions	1,848,843	154,070	51,357	2,054,270
Depreciation	715,145	59,595	19,865	794,605
Dues	32,660	2,722	907	36,289
Employee Relations	25,405	2,117	706	28,228
Equipment Rental	38,120	3,177	1,059	42,356
Extra Labor	9,871	823	274	10,968
Floral and Gifts	12,210	1,018	339	13,567
Fright and Shipping	1,935	161	54	2,150
Grounds and Maintenance	109,258	9,105	3,035	121,398
Group Insurance	777,796	49,691	21,123	848,610
Housing Allowance	41,044	3,420	1,140	45,604
Insurance	187,591	15,633	5,211	208,435
Interest Expense	40,776	3,398	1,133	45,307
Internet Broadcasting Fees	243,453	20,288	6,763	270,504
Janitorial Expense	33,703	2,809	936	37,448
Kitchen Expense	17,072	1,423	474	18,969
Legal Services	1,630	136	45	1,811
Licenses and Permits	303,359	25,280	8,427	337,066
Meals and Entertainment	127,823	10,652	3,551	142,026
Miscellaneous	8,093	670	221	8,984
Office Supplies and Expense	54,202	4,517	1,506	60,225
Operating Lease Expense	201,345	16,779	5,593	223,717
Pension Plan	445,243	28,442	12,090	485,775
Pest Control	6,260	522	174	6,956
Postage	707,706	64,337	85,783	857,826
Printing and Publication	805,476	73,225	97,633	976,334
Production	127,230	10,603	3,534	141,367
Products and Premiums	146,591	12,216	4,072	162,879
Professional Fees	197,491	72,308	267,664	537,463
Program Services	216,495	18,041	6,014	240,550
Promotional Expenses	397,063	33,089	11,030	441,182

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

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Functional Expenses

Year Ended June 30, 2025

	Program Services	General and Administrative	Fund Raising	Total
Public Education	\$ 1,087	\$ 91	\$ 30	\$ 1,208
Registration Fees	53,314	4,443	1,481	59,238
Rent	255,451	21,288	7,096	283,835
Repairs	865,672	72,139	24,046	961,857
Resource Material	5,438	453	151	6,042
Salaries	7,361,058	470,113	199,842	8,031,013
Satellite Service Network	86,346	7,196	2,399	95,941
Scholarships	130,863	10,905	3,635	145,403
Security	31,703	2,642	881	35,226
Sharathon Expenses	-	-	48,352	48,352
Social Security Taxes	546,389	34,882	14,828	596,099
Special Events and Projects	8,087	674	225	8,986
Subscriptions	49,037	4,086	1,362	54,485
State Unemployment Taxes	4,466	372	124	4,962
Taxes and Licenses	51,261	4,272	1,424	56,957
Telephone	144,031	12,003	4,001	160,035
Training and Education	1,203	98	-	1,301
Trash	12,743	1,062	354	14,159
Travel	318,520	26,543	8,848	353,911
Use Taxes	47,597	3,966	1,322	52,885
Utilities	1,094,891	91,241	30,414	1,216,546
Total	\$ <u>21,032,207</u>	\$ <u>1,641,081</u>	\$ <u>1,776,091</u>	\$ <u>24,449,379</u>

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

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Cash Flows
Year Ended June 30, 2025

Cash Flows from Operating Activities	
Net Increase/(Decrease) in Net Assets	\$ 3,832,629
Adjustments to Reconcile Net (Increase)/Decrease In Net Assets to Net Cash Provided by Operating Activities	
Accounts Receivable, Net	82,232
Promises to Give, Net	10,869
Prepaid Expenses	(23,645)
Depreciation	794,605
Amortization	46,400
Inventory	44,278
Operating Lease Right of Use Asset	(573,616)
Other Assets	(8,002)
Accounts Payable	52,030
Annuity Reserve	564,836
Liabilities Under Split-interest Agreements	20,146
Operating Lease Liability	573,616
Accrued Expenses	62,836
Net Cash Provided/(Used) - Operating Activities	<u>5,479,214</u>
Cash Flows from Investing Activities	
Investments	(4,973,115)
Property and Equipment, Net	<u>(1,906,201)</u>
Net Cash Provided/(Used) - Investing Activities	<u>(6,879,316)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,400,102)
Cash and Cash Equivalents at the Beginning of the Year (See Note 1)	<u>2,729,177</u>
Cash and Cash Equivalents at the End of the Year	\$ <u><u>1,329,075</u></u>
Supplemental Disclosures of Cash Flow Information:	
Cash Paid During the Year for Interest Expense	\$ <u><u>45,307</u></u>
Cash Paid During the Year for Income Taxes	\$ <u><u>11,451</u></u>

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, 2025

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

The American Family Association, Inc. (the Organization) is a nonprofit Christian organization with a mission to inform, equip, and activate individuals and families to transform American culture and to give aid to the Church, here and abroad, in its calling to fulfill the Great Commission.

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 (IRC), and contributions to it are tax deductible within the limitations prescribed by the Code. On April 9, 2022, the Internal Revenue Service issued its determination letter that the Association meets the requirements in IRC Sections 509(a)(1) and 170(b)(1)(A)(i) as an association of churches.

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. Cash held with investment brokers in insured deposit accounts are considered investments for financial presentation purposes. 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 Receivable are described in Note 5. Accounts receivable are stated at the amount management expects to collect from outstanding balances for underwriting fees. Management provides an allowance for credit losses that is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Notes Receivable are described in Note 12 and are considered by management to be fully collectible.

Concentrations of Credit and Market Risk. Financial instruments that potentially expose the Organization 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 6 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, 2025.

Property and Equipment. The Organization records 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 statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2025

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, 2025.

Right of Use Leased Assets and Liabilities. Right of Use Leased Assets and Liabilities Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent the Organization's right to use an underlying asset and lease obligations for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service.

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.

Software Development Costs. The Organization records intangible assets for software development costs. Amortization is computed using the straight-line method over a five year period.

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:

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2025

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.

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 \$59,711 see Note 24.

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	\$ 1,329,075
Investments	44,399,589
Accounts Receivable	625,150
Promises to Give	1,841,399
Notes Receivable	166,607
	<u>\$ 48,361,820</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: Investments

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

Cost	\$ 42,592,140
Fair Value	44,399,589
Unrealized Gain (Loss)	<u>\$ 1,807,449</u>

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2025

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

Stocks and Exchange Traded Funds	\$	21,089,106
Mutual Funds		5,718,560
Insured Deposit Accounts		3,951,766
Real Estate		26,500
Real Estate Investment Trusts and Publicly Traded Partnerships		6,721,283
Fixed Income		6,892,374
Total	\$	<u>44,399,589</u>

All investment returns are classified as unrestricted in the statement of activities for the years ending June 30, 2025.

Note 4: Fair Value Measurements

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

Fair Value Measurements at Reporting Date Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Inputs are unobservable (Level 3)
Investments	\$ 44,399,589	\$ 44,373,089	\$ 26,500	\$ -
Assets Held Under Split-interest Agreements	\$ 391,031	\$ 391,031	\$ -	\$ -

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;
- 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.

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2025

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, 2025.

Note 5: 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	\$	433,910
31-60 days		23,331
61-90 days		41,745
Over 90 days		140,183
Total Accounts Receivable	\$	639,169
Allowance for Credit Losses		(14,019)
Net Accounts Receivable	\$	625,150

Note 6: Promises to Give, Net

Unconditional promises to give consist of the following:

Unrestricted Promises	\$	2,689,569
Allowance for Uncollectible Unrestricted Promises		(848,170)
Net Unconditional Promises to Give	\$	1,841,399
Amounts Due in:		
Less Than One Year	\$	1,841,399
One to Five Years		-
Total	\$	1,841,399

Note 7: Inventory

The inventory balance as of June 30, 2025, is \$248,221 which consists of products and Christian DVD's that are for sale through the AFA online store. Inventory is valued at cost.

Note 8: Prepaid Expenses

Prepaid expenses consist of the following:

Prepaid Insurance	\$	22,449
Prepaid Internet Contracts		29,768
Prepaid Music License Agreements		133,746
Prepaid Professional Fees		23,500
Prepaid Software Maintenance		44,219
Total Prepaid Expenses	\$	253,682

Note 9: Property and Equipment, Net

Property and Equipment, Net consists of the following:

Land	\$	4,581,178
Office Building		13,945,468

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2025

Furniture, Fixtures, and Equipment	8,860,083
Radio Stations, Buildings, Equipment and Towers	35,852,209
Automotive Equipment	753,025
Total Assets at Cost	63,991,963
Less: Accumulated Depreciation	43,647,140
Net Fixed Assets	\$ 20,344,823

Depreciation allocated to program and supporting services was \$794,605.

Note 10: Leasing Arrangements

The Organization leases certain buildings, land and equipment. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statements of financial position. Lease expense is recognized for these leases on a straight-line- basis over the lease term.

Most leases include one or more options to renew, with renewal terms that can extend the lease term by one year. The exercise of lease renewal options is at the Organization's sole discretion. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

As most of the operating leases do not provide an implicit rate, the Organization uses incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments.

The following summarizes the weighted average remaining lease term and discount rate of as June 30, 2025:

Weighted Average Remaining Lease Term (Years)

Operating leases	10
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Weighted Average Discount Rate

Operating lease	4%
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The following summarizes the line items in the statement of activities which include the components of lease expense for the year ended June 30, 2025:

Operating lease expense included in operating expenses	\$223,717
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At June 30, 2025, future minimum lease payments due under the operating lease obligations consist of the following:

2026	\$ 307,599
2027	273,648
2028	258,630
2029	257,014
2030	240,740
Thereafter	1,534,344
Total	\$ 2,871,975
Less: Amounts Representing Interest	(745,303)
Total Lease Obligations	\$ 2,126,672

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2025

Note 11: Assets Held Under Split-Interest Agreements

The fair value of charitable trust assets held with split-interest agreements at June 30, 2025 was \$391,031. The assets were invested in stocks and mutual funds.

Note 12: Notes Receivable

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 \$166,607.

Note 13: Software Development Cost

The Organization's intangible assets consist of software development costs, which are carried at cost less accumulated amortization. The useful life of these assets is estimated to be 5 years.

Software Development Cost, Net consists of the following:

Software Development Cost	\$	232,000
Less: Accumulated Amortization		46,400
Net Software Development Cost	\$	<u>185,600</u>

Amortization allocated to program and supporting services was \$46,400.

Note 14: Other Assets

Other assets consist of the following:

Utility Deposits	\$	20,202
Total Other Assets	\$	<u>20,202</u>

Note 15: Accrued Expenses

Accrued expenses consist of the following:

Accrued Salaries	\$	180,549
Accrued Leave		50,000
Payroll Related Advance Payments		96,857
Total Accrued Expenses	\$	<u>327,406</u>

Note 16: 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.

As of June 30, 2025, American Family Association, Inc. maintained reserves on its outstanding annuity agreements in the amount of \$10,052,350.

As of June 30, 2025, American Family Association, Inc. maintained reserve assets in the amount of \$24,304,552. These reserves assets exceed the sum of the reserves on American Family Association's outstanding annuity agreements.

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2025

As of June 30, 2025, American Family Association, Inc. maintained the reserve assets described above in a segregated account.

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 17: *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 \$231,916.

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 18: *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	\$	159,115
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Note 19: *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, 2025 was \$1,556,484 of which \$1,259,291 is in excess of FDIC insurance limits.

Note 20: *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	\$	21,016,985
General and Administrative		1,640,983
Fund Raising		981,626
Total Joint Costs	\$	<u>23,639,594</u>

Note 21: *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.

Note 22: *401(k) Plan and Trust*

All full-time employees, after completion of six months of service with 500 hours and attainment of age 21, 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 \$482,418.

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2025

Note 23: *Related Party Transactions*

The Organization had related party transactions consisting of the following:

Amount paid to board member for conducting a daily radio program.	\$	72,600
Donation to AFA Action, Inc. to support its educational and informational mission. AFA Action, Inc. is a related entity dedicated to advancing biblical family values in society and government by educating the populace and influencing public policy.		1,695,000
Total Related Party Transactions	\$	<u>1,767,600</u>

Note 24: *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 are then deducted from the income produced. The Organization showed a net unrelated business income of \$59,711.

Note 25: *Subsequent Events*

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. For the year ended June 30, 2025, the Organization has evaluated subsequent events for potential recognition and disclosure through October 31, 2025, the date which the financials were available to be issued. No adjustments were considered necessary to the financial statements.