

**AMERICAN FAMILY ASSOCIATION, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2022**



**Certified Public Accountants**

**AMERICAN FAMILY ASSOCIATION, INC.**

**Tupelo, Mississippi**

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**June 30, 2022**

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Certified Public Accountants

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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.

### **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, 2022, 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, 2022, 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 Auditor's 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 auditor's 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.

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

Misstatements are considered material if there is a substantial likelihood that, individually or in the 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.



The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Red Bay, Alabama  
January 19, 2023

# AMERICAN FAMILY ASSOCIATION, INC.

Statement of Financial Position  
June 30, 2022

## Assets

Cash and Cash Equivalents	\$	6,507,917
Investments		31,688,103
Accounts Receivable		613,295
Promises to Give, Net		1,531,059
Inventory		388,476
Prepaid Expenses		338,745
Properties and Equipment, Net		15,836,141
Assets Held Under Split-interest Agreements		326,599
Notes Receivable		179,806
Other Assets		12,200
Total Assets	\$	<u>57,422,341</u>

## Liabilities

Accounts Payable	\$	314,024
Accrued Expenses		401,820
Annuity Reserve		8,159,853
Liabilities Under Split-interest Agreements		156,972
Total Liabilities		<u>9,032,669</u>

## Net Assets

Without Donor Restrictions		48,220,045
With Donor Restrictions - Split-interest Agreements		169,627
Total Net Assets		<u>48,389,672</u>
Total Liabilities and Net Assets	\$	<u>57,422,341</u>

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

# AMERICAN FAMILY ASSOCIATION, INC.

Statement of Activities  
Year Ended June 30, 2022

Changes in Net Assets Without Donor Restrictions	
<u>Operating Activities</u>	
Revenues and Support	
Donor Contributions	\$ 21,981,352
Radio Programs and Underwriting	3,236,386
Conferences, Resources, and Rental Income	676,823
Total Revenues and Support	<u>25,894,561</u>
Expenses	
Program Services	18,672,630
General and Administrative	1,384,245
Fund Raising	1,355,679
Total Expenses	<u>21,412,554</u>
Increase (Decrease) from Operating Activities	<u>4,482,007</u>
<u>Non-Operating Activities</u>	
Investment Income	1,919,439
Unrealized Gain (Loss) on Investments	(3,872,017)
Gain on Sale of Assets	172,478
Total Non-Operating Activities	<u>(1,780,100)</u>
Increase (Decrease) from Non-Operating Activities	<u>(1,780,100)</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>2,701,907</u>
Changes in Net Assets With Donor Restrictions	
Change in Value of Split-interest Agreements	6,613
Increase/(Decrease) in Net Assets With Donor Restrictions	<u>6,613</u>
Increase in Net Assets	2,708,520
Net Assets at Beginning of Year	<u>45,681,152</u>
Net Assets at End of Year	<u>\$ 48,389,672</u>

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

## AMERICAN FAMILY ASSOCIATION, INC.

Statement of Functional Expenses  
Year Ended June 30, 2022

	Program Services	General and Administrative	Fund Raising	Total
Annuity Payments	\$ -	-	536,359	\$ 536,359
Auto Usage	28,011	2,334	778	31,123
Bank Charges	56,530	4,711	1,570	62,811
Computer Expense	169,419	14,118	4,706	188,243
Computer Programs	156,065	13,005	4,335	173,405
Commissions	3,389	282	94	3,765
Conferences	211,539	17,628	5,876	235,043
Contract Engineering	118,858	9,905	3,302	132,065
Contract Labor	505,585	42,133	14,045	561,763
Contributions	1,069,470	89,123	29,708	1,188,301
Credit Card Processing Fees	195,404	16,284	5,428	217,116
Depreciation	758,920	63,243	21,081	843,244
Dues	21,830	1,819	606	24,255
Employee Relations	24,086	2,007	669	26,762
Equipment Rental	20,723	1,727	576	23,026
Floral and Gifts	10,810	901	300	12,011
Grounds and Maintenance	72,034	6,003	2,001	80,038
Group Insurance	1,017,844	53,354	23,837	1,095,035
Honorariums	4,119	343	114	4,576
Housing Allowance	79,273	6,606	2,202	88,081
Insurance	156,254	13,021	4,340	173,615
Internet Broadcasting Fees	362,243	30,187	10,062	402,492
Janitorial Expense	25,529	2,127	709	28,365
Kitchen Expense	4,674	390	130	5,194
Legal Services	2,091	174	58	2,323
Licenses and Permits	287,708	23,976	7,992	319,676
Meals and Entertainment	63,734	5,311	1,770	70,815
Office Supplies and Expense	50,933	4,245	1,415	56,593
Pest Control	3,055	255	85	3,395
Postage	663,884	60,353	80,471	804,708
Printing and Publication	1,016,806	92,437	123,249	1,232,492
Production	132,537	11,045	3,682	147,264
Products and Premiums	239,875	19,990	6,663	266,528
Professional Fees	154,232	40,000	67,105	261,337
Program Services	227,347	18,946	6,315	252,608
Promotional Expenses	418,591	34,883	11,628	465,102
Public Education	24,695	2,058	686	27,439
Registration Fees	34,242	2,853	951	38,046

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

## AMERICAN FAMILY ASSOCIATION, INC.

Statement of Functional Expenses  
Year Ended June 30, 2022

	Program Services	General and Administrative	Fund Raising	Total
Rent	\$ 512,961	42,747	14,249	\$ 569,957
Repairs	669,989	55,832	18,611	744,432
Resource Material	9,858	822	274	10,954
Retirement Plan	391,455	26,677	11,919	430,051
Salaries	6,532,304	381,101	170,266	7,083,671
Satellite Service Network	88,704	7,392	2,464	98,560
Scholarships	108,225	9,019	3,006	120,250
Security	18,013	1,501	500	20,014
Sharathon Expenses	-	-	95,833	95,833
Social Security Taxes	470,652	28,201	12,600	511,453
Special Events and Projects	10,012	834	278	11,124
Subscriptions	42,566	3,547	1,182	47,295
State Unemployment Taxes	4,348	362	121	4,831
Taxes and Licenses	71,944	5,995	1,998	79,937
Telephone	63,088	5,257	1,752	70,097
Trash	16,008	1,334	445	17,787
Travel	188,273	15,689	5,230	209,192
Use Taxes	70,343	5,862	1,954	78,159
Utilities	1,011,548	84,296	28,099	1,123,943
Total	\$ <u>18,672,630</u>	\$ <u>1,384,245</u>	\$ <u>1,355,679</u>	\$ <u>21,412,554</u>

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



# AMERICAN FAMILY ASSOCIATION, INC.

Statement of Cash Flows  
Year Ended June 30, 2022

Cash Flows from Operating Activities	
Net Increase/(Decrease) in Net Assets	\$ 2,708,520
Adjustments to Reconcile Net (Increase)/Decrease In Net Assets to Net Cash Provided by Operating Activities	
Accounts Receivable	(234,901)
Promises to Give, Net	(92,765)
Prepaid Expenses	9,374
Depreciation	843,245
Inventory	(8,729)
Accounts Payable	25,630
Annuity Reserve	1,009,995
Liabilities Under Split-interest Agreements	(50,058)
Accrued Expenses	61,967
	<hr/>
Net Cash Provided/(Used) - Operating Activities	4,272,278
Cash Flows from Investing Activities	
Investments	378,278
Property and Equipment, Net	(6,023,792)
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Net Cash Provided/(Used) - Investing Activities	(5,645,514)
Cash Flows from Financing Activities	
Note Receivable on Sale of Fixed Assets	9,740
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Net Cash Provided/(Used) - Financing Activities	9,740
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,363,496)
Cash and Cash Equivalents at the Beginning of the Year (See Note 1)	7,871,413
	<hr/>
Cash and Cash Equivalents at the End of the Year	\$ <u>6,507,917</u>
Supplemental Disclosures of Cash Flow Information:	
Cash Paid During the Year for Interest Expense	\$ <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, 2022

## 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 (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 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 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, 2022.

*Property and Equipment.* The Organization 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 statement 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

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2022

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, 2022.

## *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

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2022

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 \$62,287 see Note 22.

## **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	\$	6,507,917
Investments		31,688,103
Accounts Receivable		613,295
Promises to Give		1,531,059
Notes Receivable		179,806
	\$	<u>40,520,180</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	\$	418,176
31-60 days		49,919
61-90 days		34,632
Over 90 days		110,568
Total Accounts Receivable	\$	<u>613,295</u>

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

Unconditional promises to give consist of the following:

Unrestricted Promises	\$	2,355,475
Allowance for Uncollectible Unrestricted Promises		(824,416)
Net Unconditional Promises to Give	\$	<u>1,531,059</u>

Amounts Due in:		
Less Than One Year	\$	1,531,059
One to Five Years		-
Total	\$	<u>1,531,059</u>

Bad debt expense for the year was \$977.

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2022

## Note 5: *Investments*

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

Cost	\$ 35,560,120
Fair Value	31,688,103
Unrealized Gain (Loss)	\$ <u><u>(3,872,017)</u></u>

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

Stocks and Exchange Traded Funds	\$ 19,827,650
Mutual Funds	7,265,330
Insured Deposit Accounts	1,970,654
Real Estate	25,500
Bonds	2,598,969
Total	\$ <u><u>31,688,103</u></u>

All investment returns are classified as unrestricted in the statement of activities for the years ending June 30, 2022.

## Note 6: *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	\$ <u>31,688,103</u>	\$ <u>31,662,603</u>	\$ <u>25,500</u>	\$ <u>-</u>
Assets Held Under Split- interest Agreements	\$ <u>326,599</u>	\$ <u>326,599</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 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.

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2022

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, 2022.

## Note 7: **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 \$179,806.

## Note 8: **Inventory**

The inventory balance as of June 30, 2022, is \$388,476 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	\$	1,203
Prepaid Internet Contracts		77,125
Prepaid Maintenance Contract		21,768
Prepaid Music License		146,139
Prepaid Professional Fees		92,510
Total Prepaid Expenses	\$	<u>338,745</u>

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

Property and Equipment, Net consists of the following:

Land	\$	4,692,857
Office Building		11,004,615
Furniture, Fixtures, and Equipment		8,802,135
Radio Stations, Buildings, Equipment and Towers		32,362,095
Automotive Equipment		<u>639,457</u>
Total Assets at Cost		57,501,159
Less: Accumulated Depreciation		<u>41,665,018</u>
Net Fixed Assets	\$	<u>15,836,141</u>

Depreciation allocated to program and supporting services was \$843,244.

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2022

## Note 11: *Other Assets*

Other assets consist of the following:

Deposits	\$	12,200
Total Other Assets	\$	<u>12,200</u>

## Note 12: *Accrued Expenses*

Accrued expenses consist of the following:

Accrued Salaries	\$	310,256
Accrued Leave		75,425
Payroll Related Advance Payments		16,139
Total Accrued Expenses	\$	<u>401,820</u>

## 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 \$8,159,853.

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 \$156,972.

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	\$	169,627

## 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, 2022 was \$7,963,668 of which \$6,966,307 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

# AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2022

single function. Those costs were allocated among the following functional expense categories as follows:

Program Services	\$	18,672,630
General and Administrative		1,384,245
Fund Raising		723,487
Total Joint Costs	\$	20,780,362

**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.

**Note 19: *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 \$417,034.

**Note 20: *Leases***

The Organization has leased certain facilities for audio transmissions under operating lease agreements. Rental expense totaled \$569,956. 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:

Year		Amount
2023	\$	575,000
2022	\$	575,000
2025	\$	575,000
2026	\$	575,000
2027	\$	575,000

**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 conducted 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.	\$	135,116
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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.		250,000
Total Related Party Transactions	\$	385,116



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For the Year Ended June 30, 2022

**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 \$62,287.

**Note 23:**      **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, 2022, the Organization has evaluated subsequent events for potential recognition and disclosure through January 19, 2023, the date which the financials were available to be issued. No adjustments were considered necessary to the financial statements.