

AMERICAN FAMILY ASSOCIATION, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2023



Certified Public Accountants

AMERICAN FAMILY ASSOCIATION, INC.

Tupelo, Mississippi

Table of Contents

June 30, 2023

Description	Page Number
Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	7
Notes to the Financial Statements	8



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, 2023, 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, 2023, 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the

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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 27, 2023

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Financial Position
June 30, 2023

Assets

Cash and Cash Equivalents	\$	3,967,603
Investments		35,942,863
Accounts Receivable		585,061
Promises to Give, Net		1,630,054
Inventory		384,915
Prepaid Expenses		178,982
Properties and Equipment, Net		17,482,699
Assets Held Under Split-interest Agreements		333,171
Notes Receivable		168,907
Other Assets		12,200
Total Assets	\$	<u>60,686,455</u>

Liabilities

Accounts Payable	\$	216,618
Accrued Expenses		278,327
Annuity Reserve		8,772,612
Liabilities Under Split-interest Agreements		177,966
Total Liabilities		<u>9,445,523</u>

Net Assets

Without Donor Restrictions		51,085,727
With Donor Restrictions - Split-interest Agreements		155,205
Total Net Assets		<u>51,240,932</u>
Total Liabilities and Net Assets	\$	<u>60,686,455</u>

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

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Activities
Year Ended June 30, 2023

Changes in Net Assets Without Donor Restrictions	
<u>Operating Activities</u>	
Revenues and Support	
Donor Contributions	\$ 20,900,144
Radio Programs and Underwriting	3,458,336
Conferences, Resources, and Rental Income	690,310
Total Revenues and Support	<u>25,048,790</u>
Expenses	
Program Services	20,067,005
General and Administrative	1,438,021
Fund Raising	1,412,358
Total Expenses	<u>22,917,384</u>
Increase (Decrease) from Operating Activities	<u>2,131,406</u>
<u>Non-Operating Activities</u>	
Investment Income	1,629,820
Unrealized Gain (Loss) on Investments	(1,098,720)
Gain on Sale of Assets	203,176
Total Non-Operating Activities	<u>734,276</u>
Increase (Decrease) from Non-Operating Activities	<u>734,276</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>2,865,682</u>
Changes in Net Assets With Donor Restrictions	
Change in Value of Split-interest Agreements	<u>(14,422)</u>
Increase/(Decrease) in Net Assets With Donor Restrictions	<u>(14,422)</u>
Increase in Net Assets	2,851,260
Net Assets at Beginning of Year	<u>48,389,672</u>
Net Assets at End of Year	<u>\$ 51,240,932</u>

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

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	General and Administrative	Fund Raising	Total
Annuity Payments	\$ -	-	617,665	\$ 617,665
Auto Usage	21,535	1,795	598	23,928
Bank Charges	38,764	3,230	577	42,571
Computer Expense	257,180	21,432	7,144	285,756
Computer Programs	163,259	13,605	4,535	181,399
Commissions	3,681	307	102	4,090
Conferences	285,661	23,805	7,935	317,401
Contract Engineering	141,301	11,775	3,925	157,001
Contract Labor	696,715	58,060	19,353	774,128
Contributions	1,138,185	94,849	31,616	1,264,650
Credit and Collection	224,750	18,729	6,243	249,722
Depreciation	786,482	65,540	21,847	873,869
Dues	40,586	3,382	1,127	45,095
Employee Relations	23,031	1,919	640	25,590
Equipment Rental	47,074	3,923	1,308	52,305
Floral and Gifts	16,444	1,370	457	18,271
Grounds and Maintenance	87,155	7,263	2,421	96,839
Group Insurance	1,122,414	53,354	23,837	1,199,605
Honorariums	1,064	89	30	1,183
Housing Allowance	56,076	4,673	1,558	62,307
Insurance	114,297	9,525	3,175	126,997
Internet Broadcasting Fees	401,804	33,484	11,161	446,449
Janitorial Expense	31,912	2,659	886	35,457
Kitchen Expense	7,313	609	203	8,125
Legal Services	1,238	103	34	1,375
Licenses and Permits	278,497	23,208	7,736	309,441
Meals and Entertainment	72,200	6,017	2,006	80,223
Miscellaneous	109	9	3	121
Office Supplies and Expense	62,662	5,222	1,741	69,625
Pension Plan	474,110	26,677	11,919	512,706
Pest Control	3,542	295	98	3,935
Postage	638,099	58,009	77,345	773,453
Printing and Publication	944,013	85,819	114,426	1,144,258
Production	117,563	9,797	3,266	130,626
Products and Premiums	345,448	28,787	9,596	383,831
Professional Fees	119,278	40,000	67,105	226,383
Program Services	225,162	18,763	6,254	250,179
Promotional Expenses	302,910	25,242	8,414	336,566

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

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	General and Administrative	Fund Raising	Total
Public Education	\$ 25,186	2,099	700	\$ 27,985
Registration Fees	37,335	3,111	1,037	41,483
Rent	530,423	44,202	14,734	589,359
Repairs	727,555	60,630	20,210	808,395
Resource Material	5,969	497	166	6,632
Salaries	7,061,700	381,101	170,266	7,613,067
Satellite Service Network	86,344	7,196	2,399	95,939
Scholarships	184,275	15,356	5,119	204,750
Security	28,816	2,401	800	32,017
Sharathon Expenses	-	-	62,870	62,870
Social Security Taxes	528,930	28,201	12,600	569,731
Special Events and Projects	19,915	1,660	553	22,128
Subscriptions	38,206	3,184	1,061	42,451
State Unemployment Taxes	2,223	185	62	2,470
Taxes and Licenses	45,396	3,783	1,261	50,440
Telephone	74,126	6,177	2,059	82,362
Training and Education	4,795	389	-	5,184
Trash	17,379	1,448	483	19,310
Travel	259,884	21,657	7,219	288,760
Use Taxes	33,461	2,788	929	37,178
Utilities	1,063,573	88,631	29,544	1,181,748
Total	\$ <u>20,067,005</u>	\$ <u>1,438,021</u>	\$ <u>1,412,358</u>	\$ <u>22,917,384</u>

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

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Cash Flows
Year Ended June 30, 2023

Cash Flows from Operating Activities	
Net Increase/(Decrease) in Net Assets	\$ 2,851,260
Adjustments to Reconcile Net (Increase)/Decrease In Net Assets to Net Cash Provided by Operating Activities	
Accounts Receivable	28,234
Promises to Give, Net	(98,995)
Prepaid Expenses	159,763
Depreciation	873,869
Inventory	3,561
Accounts Payable	(97,406)
Annuity Reserve	612,759
Liabilities Under Split-interest Agreements	20,994
Accrued Expenses	<u>(123,493)</u>
Net Cash Provided/(Used) - Operating Activities	<u>4,230,546</u>
Cash Flows from Investing Activities	
Investments	(4,261,331)
Property and Equipment, Net	<u>(2,520,428)</u>
Net Cash Provided/(Used) - Investing Activities	<u>(6,781,759)</u>
Cash Flows from Financing Activities	
Note Receivable on Sale of Fixed Assets	<u>10,899</u>
Net Cash Provided/(Used) - Financing Activities	<u>10,899</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(2,540,314)
Cash and Cash Equivalents at the Beginning of the Year (See Note 1)	<u>6,507,917</u>
Cash and Cash Equivalents at the End of the Year	\$ <u><u>3,967,603</u></u>
Supplemental Disclosures of Cash Flow Information:	
Cash Paid During the Year for Interest Expense	\$ <u><u>-</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, 2023

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, 2023.

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.

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, 2023

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, 2023.

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, 2023

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 \$27,253 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	\$	3,967,603
Investments		35,942,863
Accounts Receivable		585,061
Promises to Give		1,630,054
Notes Receivable		168,907
	\$	<u>42,294,488</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	\$	452,765
31-60 days		29,414
61-90 days		41,339
Over 90 days		61,543
Total Accounts Receivable	\$	<u>585,061</u>

Note 4: Promises to Give, Net

Unconditional promises to give consist of the following:

Unrestricted Promises	\$	2,716,757
Allowance for Uncollectible Unrestricted Promises		(1,086,703)
Net Unconditional Promises to Give	\$	<u>1,630,054</u>

Amounts Due in:		
Less Than One Year	\$	1,630,054
One to Five Years		-
Total	\$	<u>1,630,054</u>

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 5: *Investments*

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

Cost	\$ 37,041,583
Fair Value	35,942,863
Unrealized Gain (Loss)	\$ <u>(1,098,720)</u>

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

Stocks and Exchange Traded Funds	\$ 19,066,911
Mutual Funds	8,791,493
Insured Deposit Accounts	2,575,389
Real Estate	26,500
Fixed Income	5,482,570
Total	\$ <u>35,942,863</u>

All investment returns are classified as unrestricted in the statement of activities for the years ending June 30, 2023.

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	\$ 35,942,863	\$ 35,916,363	\$ 26,500	\$ -
Assets Held Under Split- interest Agreements	\$ 333,171	\$ 333,171	-	-

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, 2023

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, 2023.

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 \$168,907.

Note 8: **Inventory**

The inventory balance as of June 30, 2023, is \$384,915 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	\$	25,966
Prepaid Internet Contracts		79,846
Prepaid News Service		73,170
Total Prepaid Expenses	\$	<u>178,982</u>

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

Property and Equipment, Net consists of the following:

Land	\$	4,581,178
Office Building		12,960,370
Furniture, Fixtures, and Equipment		8,807,837
Radio Stations, Buildings, Equipment and Towers		32,961,417
Automotive Equipment		697,526
Total Assets at Cost		<u>60,008,328</u>
Less: Accumulated Depreciation		42,525,629
Net Fixed Assets	\$	<u>17,482,699</u>

Depreciation allocated to program and supporting services was \$873,869.

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2023

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	\$ 173,518
Accrued Leave	72,000
Payroll Related Advance Payments	32,809
Total Accrued Expenses	\$ <u>278,327</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 \$8,772,612.

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 \$177,966.

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	\$ 155,205

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, 2023 was \$4,161,964 of which \$3,808,571 is in excess of FDIC insurance limits.

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2023

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	\$ 20,062,210
General and Administrative	1,437,632
Fund Raising	731,823
Total Joint Costs	<u>\$ 22,231,665</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.

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 \$443,895.

Note 20: *Related Party Transactions*

The Organization had related party transactions consisting of the following:

Amount paid to board member for conducting a daily radio program.	\$ 63,700
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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.

Total Related Party Transactions	<u>\$ 790,000</u>
	<u>\$ 853,700</u>

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 21: Leases

The Organization has leased certain facilities for audio transmissions under operating lease agreements. Rental expense totaled \$589,359. 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>
2024	\$	585,000
2025	\$	585,000
2026	\$	585,000
2027	\$	585,000
2028	\$	585,000

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 \$27,253.

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, 2023, the Organization has evaluated subsequent events for potential recognition and disclosure through October 27, 2023, the date which the financials were available to be issued. No adjustments were considered necessary to the financial statements.