

AMERICAN FAMILY ASSOCIATION, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020



Certified Public Accountants

AMERICAN FAMILY ASSOCIATION, INC.

Tupelo, Mississippi

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Certified Public Accountants

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Independent Auditors' Report

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

We have audited the accompanying financial statements of American Family Association, Inc. (a nonprofit entity), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Family Association, Inc., as of June 30, 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
March 27, 2021

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Financial Position

June 30, 2020

Assets	
Cash and Cash Equivalents	\$ 6,766,109
Investments	22,673,466
Accounts Receivable	357,559
Promises to Give, Net	1,104,186
Inventory	444,640
Prepaid Expenses	310,567
Properties and Equipment, Net	9,877,987
Assets Held Under Split-interest Agreements	331,874
Notes Receivable	197,771
Other Assets	20,200
Total Assets	\$ <u>42,084,359</u>
Liabilities and Net Assets	
Accounts Payable	\$ 136,810
Accrued Expenses	238,276
Annuity Reserve	6,429,730
Liabilities Under Split-interest Agreements	162,169
Payroll Protection Program Loan	1,390,800
Total Liabilities	<u>8,357,785</u>
Net Assets	
Without Donor Restrictions	33,556,869
With Donor Restrictions - Split-interest Agreements	169,705
Total Net Assets	<u>33,726,574</u>
Total Liabilities and Net Assets	\$ <u><u>42,084,359</u></u>

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

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Activities
Year Ended June 30, 2020

Changes in Net Assets Without Donor Restrictions	
Revenue, Support, and Gains	
Contributions	\$ 20,353,542
Royalties	34,691
Advertising	102,151
Interest Income	113,304
Dividend Income	67,670
Gain on Sale of Equipment	47,630
Gain on Sale of Investments	42,524
Unrealized Loss on Investments	(322,315)
Rental Income	200,298
Other Income	702,860
Total Revenue, Support, and Gains Without Donor Restrictions	<u>21,342,355</u>
Expenses:	
Program Services	16,500,226
General and Administrative	1,428,455
Fund Raising	1,350,838
Total Expenses	<u>19,279,519</u>
Increase in Net Assets Without Donor Restrictions	<u>2,062,836</u>
Changes in Net Assets With Donor Restrictions	
Change in Value of Split-interest Agreements	<u>(11,589)</u>
Increase/(Decrease) in Temporarily Restricted Net Assets	<u>(11,589)</u>
Increase in Net Assets	2,051,247
Net Assets at Beginning of Year	<u>31,675,327</u>
Net Assets at End of Year	<u>\$ 33,726,574</u>

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

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services	General and Administrative	Fund Raising	Total
Annuity Payments	\$ -	\$ -	\$ 411,251	\$ 411,251
Auto Usage	14,392	1,227	400	16,019
Bank Charges	108,810	9,274	3,028	121,112
Computer Expense	158,215	13,485	4,403	176,103
Commissions	5,518	470	154	6,142
Conferences	90,340	7,700	2,514	100,554
Contract Engineering	117,189	9,988	3,261	130,438
Contract Labor	167,385	14,266	4,658	186,309
Contributions	237,621	20,252	6,612	264,485
Credit Card Processing Fees	219,861	18,739	6,118	244,718
Depreciation	1,287,724	109,751	35,833	1,433,308
Dues	13,737	1,171	382	15,290
Employee Relations	59,921	5,107	1,667	66,695
Equipment Rental	21,704	1,850	604	24,158
Extra Labor	203,613	17,354	5,666	226,633
Floral and Gifts	57,757	4,923	1,607	64,287
Grounds and Maintenance	96,893	8,258	2,696	107,847
Group Insurance	744,672	55,157	21,129	820,958
Honorariums	28,019	2,388	780	31,187
Housing Allowance	101,583	8,658	2,827	113,068
Insurance	141,492	12,059	3,937	157,488
Internet Broadcasting Fees	411,282	35,053	11,445	457,780
Investment Fees	855	73	24	952
Janitorial Expense	28,546	2,433	794	31,773
Kitchen Expense	1,296	110	36	1,442
Legal Services	8,047	686	224	8,957
Licenses and Permits	240,075	20,461	6,680	267,216
Meals and Entertainment	38,144	3,251	1,061	42,456
Office Supplies and Expense	99,133	8,449	2,759	110,341
Pension Plan	326,578	23,639	9,055	359,272
Pest Control	4,040	344	112	4,496
Postage	590,377	54,900	71,698	716,975
Printing and Publication	713,373	66,338	86,635	866,346
Production	165,144	14,075	4,595	183,814
Products and Premiums	301,900	25,731	8,401	336,032
Professional Fees	185,549	92,830	80,496	358,875
Program Services	200,399	17,080	5,576	223,055
Promotional Expenses	308,075	26,257	8,573	342,905
Public Education	59,608	5,080	1,659	66,347
Registration Fees	34,322	2,925	955	38,202

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

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services	General and Administrative	Fund Raising	Total
Rent	\$ 483,028	\$ 41,168	\$ 13,441	\$ 537,637
Repairs	620,569	52,890	17,268	690,727
Resource Material	12,757	1,087	355	14,199
Salaries	5,295,461	393,977	150,920	5,840,358
Satellite Service Network	79,012	6,734	2,199	87,945
Scholarships	65,585	5,590	1,825	73,000
Security	31,563	2,690	878	35,131
Sharathon Expenses	-	-	169,183	169,183
Social Security Taxes	391,554	29,154	11,168	431,876
Special Events and Projects	7,205	614	201	8,020
Subscriptions	5,196	443	145	5,784
State Unemployment Taxes	6,530	557	182	7,269
Taxes and Licenses	68,655	5,851	1,910	76,416
Telephone	96,576	8,231	2,687	107,494
Training and Education	551,251	56,076	125,000	732,327
Trash	10,704	912	298	11,914
Travel	141,523	12,062	3,938	157,523
Uniforms	4,185	357	116	4,658
Use Taxes	43,059	3,670	1,198	47,927
Utilities	992,624	84,600	27,621	1,104,845
Total	\$ 16,500,226	\$ 1,428,455	\$ 1,350,838	\$ 19,279,519

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

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Cash Flows

Year Ended June 30, 2020

Cash Flows from Operating Activities	
Net Increase/(Decrease) in Net Assets	\$ 2,051,247
Adjustments to Reconcile Net (Increase)/Decrease In Net Assets to Net Cash Provided by Operating Activities	
Accounts Receivable	(33,167)
Promises to Give, Net	(426,324)
Prepaid Expenses	125,052
Depreciation	1,433,308
Inventory	86,477
Other Assets	792
Accounts Payable	(398,196)
Annuity Reserve	640,593
Liabilities Under Split-interest Agreements	(20,717)
Accrued Expenses	<u>(272,555)</u>
Net Cash Provided/(Used) - Operating Activities	<u>3,186,510</u>
Cash Flows from Investing Activities	
Investments	23,119
Property and Equipment, Net	<u>(516,710)</u>
Net Cash Provided/(Used) - Investing Activities	<u>(493,591)</u>
Cash Flows from Financing Activities	
Proceeds from Payroll Protection Program Loan	1,390,800
Note Receivable on Sale of Fixed Assets	<u>282,460</u>
Net Cash Provided/(Used) - Financing Activities	<u>1,673,260</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	4,366,179
Cash and Cash Equivalents at the Beginning of the Year (See Note 1)	<u>2,399,930</u>
Cash and Cash Equivalents at the End of the Year	\$ <u><u>6,766,109</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, 2020

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

The American Family Association, Inc. (the Organization) is a nonprofit Christian organization promoting the Biblical ethics of decency in American society with a primary emphasis on TV and other media.

Financial support for the American Family Association, Inc. is through donations from individuals and organizations within the United States.

The Organization is a nonprofit corporation, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days except if those instruments are used to temporarily invest endowment funds until appropriate investments are identified. 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 to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The Organization has not experienced any losses on its cash equivalents. The Organization's investments do not represent concentrations of market risk since the Organization's investment portfolio is adequately diversified among issuers.

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

Inventory. Inventory comprises program-related merchandise held for sale and is stated at the lower of cost or market determined by the first-in first-out method. No allowance for inventory obsolescence is considered necessary at June 30, 2020.

Property and Equipment. We record property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the 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, 2020

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, 2020.

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, 2020

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 \$90,350 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	\$	6,766,109
Investments		22,673,466
Accounts Receivable		357,559
Promises to Give		1,104,186
Notes Receivable		197,771
	\$	<u>31,099,091</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	\$	299,371
31-60 days		52,646
61-90 days		568
Over 90 days		4,974
Total Accounts Receivable	\$	<u>357,559</u>

Note 4: Promises to Give, Net

Unconditional promises to give consist of the following:

Unrestricted Promises	\$	1,377,587
Allowance for Uncollectible Unrestricted Promises		(273,401)
Net Unconditional Promises to Give	\$	<u>1,104,186</u>
Amounts Due in:		
Less Than One Year	\$	1,104,186
One to Five Years		-
Total	\$	<u>1,104,186</u>

Bad debt expense for the year was \$0.

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 5: *Investments*

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

Cost	\$ 22,995,781
Fair Value	22,673,466
Unrealized Gain (Loss)	\$ <u>(322,315)</u>

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

Stocks	\$ 1,584,396
Mutual Funds	2,479,914
Insured Deposit Accounts	14,512,088
Real Estate	25,500
Bonds	4,071,568
Total	\$ <u>22,673,466</u>

All investment returns are classified as unrestricted in the statement of activities for the years ending June 30, 2020.

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>22,673,466</u>	\$ <u>22,647,966</u>	\$ <u>25,500</u>	\$ <u>-</u>
Assets Held Under Split- interest Agreements	\$ <u>331,874</u>	\$ <u>331,874</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, 2020

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, 2020.

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 \$197,771.

Note 8: **Inventory**

The inventory balance as of June 30, 2020 \$444,640 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	\$	11,289
Prepaid Internet Contracts		45,648
Prepaid Maintenance Contract		35,721
Prepaid Music License		120,520
Prepaid Professional Fees		97,389
Total Prepaid Expenses	\$	<u>310,567</u>

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

Property and Equipment, Net consists of the following:

Land	\$	4,655,778
Office Building		4,151,978
Furniture, Fixtures, and Equipment		8,795,216
Radio Stations, Buildings, Equipment and Towers		32,064,861
Automotive Equipment		553,293
Total Assets at Cost		<u>50,221,126</u>
Less: Accumulated Depreciation		<u>40,343,139</u>
Net Fixed Assets	\$	<u>9,877,987</u>

Depreciation allocated to program and supporting services was \$1,433,308.

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 11: *Other Assets*

Other assets consist of the following:

Deposits	\$	20,200
Total Other Assets	\$	<u>20,200</u>

Note 12: *Accrued Expenses*

Accrued expenses consist of the following:

Accrued Salaries	\$	249,580
Accrued Leave		25,360
Payroll Related Advance Payments		<u>(36,664)</u>
Total Accrued Expenses	\$	<u>238,276</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 \$6,429,730.

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 \$162,169.

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	\$	169,705

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, 2020 was \$7,107,676 of which \$6,721,576 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, 2020

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

Program Services	\$ 16,500,226
General and Administrative	1,428,455
Fund Raising	770,404
Total Joint Costs	\$ 18,699,085

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 \$335,488.

Note 20: *Leases*

The Organization has leased certain facilities for audio transmissions under operating lease agreements. Rental expense totaled \$537,637. 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
2021	\$ 515,487
2022	\$ 515,487
2023	\$ 515,487
2024	\$ 515,487
2025	\$ 515,487

Note 21: *Related Party Transactions*

The Organization had related party transactions consisting of the following:

Contract with board member for financial consulting, management, and advising the Association. Board member also conducts a daily radio program on Christian financial and stewardship issues and speaking on behalf of the Association at various events throughout the United States of America.	\$ 206,229
Donor relations contract with a family member of an officer for tour related services for supporters.	125,000
Total Related Party Transactions	\$ 331,229

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 \$90,350.

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2020

Note 23: Payroll Protection Program Loan

On April 23, 2020, the Organization received loan proceeds in the amount of \$1,390,800 million under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Organization intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

Note 24: 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. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management is currently evaluating the impact of the COVID-19 pandemic on the Organization and has concluded that while it is reasonably possible that the virus could have a negative impact on the Organization’s financial statements and results of its operations, the specific financial impact is not readily determinable as of the date of these financial statements. Management evaluated the activity of the Organization through March 27, 2021 and concluded that the following subsequent event has occurred and would require disclosure in the notes to the financial statements:

The Organization received a Paycheck Protection Program Loan through the Small Business Administration in fiscal year 2020. This loan was forgiven by the Small Business Administration on March 19, 2021. No adjustment to the financial statements is considered necessary for this event.