

AMERICAN FAMILY ASSOCIATION, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2021



Certified Public Accountants

AMERICAN FAMILY ASSOCIATION, INC.

Tupelo, Mississippi

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Certified Public Accountants

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

www.sparkscpas.com

Independent Auditors' Report

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

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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.

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

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, 2021, 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.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
December 2, 2021

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Financial Position

June 30, 2021

Assets

Cash and Cash Equivalents	\$	7,871,413
Investments		32,022,936
Accounts Receivable		378,394
Promises to Give, Net		1,438,294
Inventory		379,747
Prepaid Expenses		348,119
Properties and Equipment, Net		10,655,594
Assets Held Under Split-interest Agreements		370,044
Notes Receivable		189,546
Other Assets		12,200
Total Assets	\$	<u>53,666,287</u>

Liabilities and Net Assets

Accounts Payable	\$	288,394
Accrued Expenses		339,853
Annuity Reserve		7,149,858
Liabilities Under Split-interest Agreements		207,030
Total Liabilities		<u>7,985,135</u>

Net Assets

Without Donor Restrictions		45,518,138
With Donor Restrictions - Split-interest Agreements		163,014
Total Net Assets		<u>45,681,152</u>
Total Liabilities and Net Assets	\$	<u>53,666,287</u>

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

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Activities
Year Ended June 30, 2021

Changes in Net Assets Without Donor Restrictions

Revenue, Support, and Gains

Contributions	\$ 26,820,828
Royalties	48,915
Advertising	58,120
Interest Income	144,725
Dividend Income	237,469
Loss on Sale of Equipment	(14,350)
Gain on Sale of Broadcast Assets	886,015
Gain on Sale of Investments	252,002
Unrealized Gain on Investments	961,113
Rental Income	188,880
Payroll Protection Program Loan Forgiveness Income	1,391,800
Other Income	71,364
Total Revenue, Support, and Gains Without Donor Restrictions	<u>31,046,881</u>

Expenses:

Program Services	16,496,861
General and Administrative	1,307,386
Fund Raising	1,281,365
Total Expenses	<u>19,085,612</u>

Increase in Net Assets Without Donor Restrictions 11,961,269

Changes in Net Assets With Donor Restrictions

Change in Value of Split-interest Agreements	<u>(6,691)</u>
Increase/(Decrease) in Temporarily Restricted Net Assets	<u>(6,691)</u>

Increase in Net Assets 11,954,578

Net Assets at Beginning of Year 33,726,574

Net Assets at End of Year \$ 45,681,152

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

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	General and Administrative	Fund Raising	Total
Annuity Payments	\$ -	\$ -	\$ 469,697	\$ 469,697
Auto Usage	10,639	887	296	11,822
Bank Charges	60,256	5,021	1,674	66,951
Computer Expense	267,893	22,324	7,441	297,658
Commissions	3,794	316	105	4,215
Conferences	151,741	12,645	4,215	168,601
Contract Engineering	103,104	8,592	2,864	114,560
Contract Labor	417,962	34,830	11,610	464,402
Contributions	513,454	42,788	14,263	570,505
Credit Card Processing Fees	198,817	16,568	5,523	220,908
Depreciation	891,766	74,314	24,771	990,851
Dues	16,243	1,354	451	18,048
Employee Relations	33,342	2,779	926	37,047
Equipment Rental	23,038	1,920	640	25,598
Floral and Gifts	10,988	916	305	12,209
Grounds and Maintenance	70,544	5,879	1,960	78,383
Group Insurance	848,956	54,152	23,118	926,226
Honorariums	25,200	2,100	700	28,000
Housing Allowance	94,112	7,843	2,614	104,569
Insurance	125,053	10,421	3,474	138,948
Internet Broadcasting Fees	446,400	37,200	12,400	496,000
Janitorial Expense	24,729	2,061	687	27,477
Kitchen Expense	9,754	813	271	10,838
Legal Services	1,584	132	44	1,760
Licenses and Permits	183,906	15,326	5,109	204,341
Meals and Entertainment	33,224	2,769	923	36,916
Miscellaneous	2,549	212	71	2,832
Office Supplies and Expense	80,465	6,706	2,235	89,406
Pension Plan	414,050	27,076	11,559	452,685
Pest Control	2,766	230	77	3,073
Postage	531,040	48,276	64,369	643,685
Printing and Publication	779,047	70,822	94,430	944,299
Production	90,848	7,571	2,524	100,943
Products and Premiums	355,077	29,590	9,863	394,530
Professional Fees	157,953	78,137	80,496	316,586
Program Services	166,973	13,914	4,638	185,525
Promotional Expenses	333,885	27,824	9,275	370,984
Public Education	38,903	3,242	1,081	43,226
Registration Fees	34,812	2,901	967	38,680

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

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services	General and Administrative	Fund Raising	Total
Rent	\$ 451,741	\$ 37,645	\$ 12,548	\$ 501,934
Repairs	579,910	48,326	16,109	644,345
Resource Material	9,650	804	268	10,722
Salaries	6,013,683	386,803	165,126	6,565,612
Satellite Service Network	95,836	7,986	2,662	106,484
Scholarships	60,300	5,025	1,675	67,000
Security	15,028	1,252	417	16,697
Sharathon Expenses	-	-	119,392	119,392
Social Security Taxes	426,661	28,623	12,219	467,503
Special Events and Projects	3,678	307	102	4,087
Subscriptions	40,384	3,365	1,122	44,871
State Unemployment Taxes	3,989	332	111	4,432
Taxes and Licenses	44,260	3,688	1,229	49,177
Telephone	82,975	6,915	2,305	92,195
Training and Education	19,004	4,622	38,000	61,626
Trash	12,165	1,014	338	13,517
Travel	107,774	8,981	2,994	119,749
Use Taxes	36,968	3,081	1,027	41,076
Utilities	937,988	78,166	26,055	1,042,209
Total	\$ 16,496,861	\$ 1,307,386	\$ 1,281,365	\$ 19,085,612

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

AMERICAN FAMILY ASSOCIATION, INC.

Statement of Cash Flows

Year Ended June 30, 2021

Cash Flows from Operating Activities	
Net Increase/(Decrease) in Net Assets	\$ 11,954,578
Adjustments to Reconcile Net (Increase)/Decrease In Net Assets to Net Cash Provided by Operating Activities	
Accounts Receivable	(20,835)
Promises to Give, Net	(334,108)
Prepaid Expenses	(37,552)
Depreciation	990,851
Inventory	64,893
Other Assets	8,000
Accounts Payable	151,584
Annuity Reserve	720,128
Liabilities Under Split-interest Agreements	44,861
Accrued Expenses	101,577
Net Cash Provided/(Used) - Operating Activities	<u>13,643,977</u>
Cash Flows from Investing Activities	
Investments	(9,387,640)
Property and Equipment, Net	<u>(1,768,458)</u>
Net Cash Provided/(Used) - Investing Activities	<u>(11,156,098)</u>
Cash Flows from Financing Activities	
Payroll Protection Program Loan Forgiveness	(1,390,800)
Note Receivable on Sale of Fixed Assets	<u>8,225</u>
Net Cash Provided/(Used) - Financing Activities	<u>(1,382,575)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	1,105,304
Cash and Cash Equivalents at the Beginning of the Year (See Note 1)	<u>6,766,109</u>
Cash and Cash Equivalents at the End of the Year	\$ <u><u>7,871,413</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, 2021

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, 2021.

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, 2021

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, 2021.

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, 2021

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 \$127,349 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	\$ 7,871,413
Investments	32,022,936
Accounts Receivable	378,394
Promises to Give	1,438,294
Notes Receivable	189,546
	<u>\$ 41,900,583</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	\$ 352,398
31-60 days	12,474
61-90 days	5,613
Over 90 days	7,909
Total Accounts Receivable	<u>\$ 378,394</u>

Note 4: Promises to Give, Net

Unconditional promises to give consist of the following:

Unrestricted Promises	\$ 1,991,561
Allowance for Uncollectible Unrestricted Promises	(553,267)
Net Unconditional Promises to Give	<u>\$ 1,438,294</u>

Amounts Due in:	
Less Than One Year	\$ 1,438,294
One to Five Years	-
Total	<u>\$ 1,438,294</u>

Bad debt expense for the year was \$0.

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2021

Note 5: *Investments*

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

Cost	\$ 31,061,823
Fair Value	32,022,936
Unrealized Gain (Loss)	\$ 961,113

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

Stocks	\$ 5,476,773
Mutual Funds	12,760,670
Insured Deposit Accounts	9,465,251
Real Estate	25,500
Bonds	4,294,742
Total	\$ 32,022,936

All investment returns are classified as unrestricted in the statement of activities for the years ending June 30, 2021.

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	\$ 32,022,936	\$ 31,997,436	\$ 25,500	\$ -
Assets Held Under Split- interest Agreements	\$ 370,044	\$ 370,044	\$ -	\$ -

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, 2021

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, 2021.

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 \$189,546.

Note 8: **Inventory**

The inventory balance as of June 30, 2021, is \$379,747 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	\$	4,424
Prepaid Internet Contracts		73,932
Prepaid Maintenance Contract		21,168
Prepaid Music License		127,317
Prepaid Professional Fees		121,278
Total Prepaid Expenses	\$	<u>348,119</u>

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

Property and Equipment, Net consists of the following:

Land	\$	4,622,877
Construction in Progress		1,934,600
Office Building		4,071,922
Furniture, Fixtures, and Equipment		8,801,201
Radio Stations, Buildings, Equipment and Towers		31,493,474
Automotive Equipment		553,293
Total Assets at Cost		<u>51,477,367</u>
Less: Accumulated Depreciation		40,821,773
Net Fixed Assets	\$	<u>10,655,594</u>

Depreciation allocated to program and supporting services was \$990,851.

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2021

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	\$	280,240
Accrued Leave		46,155
Payroll Related Advance Payments		13,458
Total Accrued Expenses	\$	<u>339,853</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 \$7,149,858.

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 \$207,030.

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	\$	163,014

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, 2021 was \$8,083,246 of which \$7,632,106 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

AMERICAN FAMILY ASSOCIATION, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2021

mission. The costs of producing the communications included joint costs not directly attributable to any single function. Those costs were allocated among the following functional expense categories as follows:

Program Services	\$ 16,496,861
General and Administrative	1,307,386
Fund Raising	692,276
Total Joint Costs	\$ 18,896,523

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 \$368,253.

Note 20: *Leases*

The Organization has leased certain facilities for audio transmissions under operating lease agreements. Rental expense totaled \$501,934. 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
2022	\$ 505,000
2023	\$ 505,000
2024	\$ 505,000
2025	\$ 505,000
2026	\$ 505,000

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 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.	\$ 209,085
Donor relations contract with a family member of an officer for tour related services for supporters.	38,000
Total Related Party Transactions	\$ 247,085

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

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Notes to the Financial Statements
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business income and then deducted from the income produced. The Organization showed a net unrelated business income of \$127,349.

Note 23: Payroll Protection Program Loan

The Organization initially recorded a Payroll Protection Program Loan and subsequently recorded forgiveness when the loan obligation was legally released on March 19, 2021. The Organization recognized \$1,390,800 of loan forgiveness income for the year ended June 30, 2021.

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. For the year ended June 30, 2021, the Organization has evaluated subsequent events for potential recognition and disclosure through December 2, 2021, the date which the financials were available to be issued. No adjustments were considered necessary to the financial statements.