

FAMILY LIFE COMMUNICATIONS, INC.

YEARS ENDED JUNE 30, 2020 AND 2019

FAMILY LIFE COMMUNICATIONS, INC.

YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditors' Report

Board of Directors and Management
Family Life Communications, Inc.
Tucson, Arizona

We have audited the accompanying consolidated financial statements of Family Life Communications, Inc. (the Organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Family Life Communications, Inc. as of June 30, 2020 and 2019, 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.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 20 and 21 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Beach Fleischman PC

Tucson, Arizona
March 19, 2021

FAMILY LIFE COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
Current assets:		
Cash and cash equivalents	\$ 8,106,892	\$ 5,923,878
Accounts receivable, net	1,936	73,629
Current portion of note receivable	146,250	-
Total current assets	8,255,078	5,997,507
Note receivable, net of current portion	438,750	-
Property and equipment, net	3,528,444	3,502,854
Radio station frequency licenses, net	4,195,779	4,438,553
Long-term investments	1,975,832	1,928,927
Other assets	21,239	34,139
Total assets	\$ 18,415,122	\$ 15,901,980

LIABILITIES AND NET ASSETS

Current liabilities:		
Current portion of annuity obligations	\$ 29,000	\$ 30,500
Accounts payable and accrued expenses	393,522	246,654
Deferred support	572,232	-
Total current liabilities	994,754	277,154
Annuity obligations, net of current portion	207,705	237,255
Total liabilities	1,202,459	514,409
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Undesignated	13,680,818	11,865,366
Invested in property and equipment	3,528,444	3,502,854
Total net assets without donor restrictions	17,209,262	15,368,220
With donor restrictions	3,401	19,351
Total net assets	17,212,663	15,387,571
Total liabilities and net assets	\$ 18,415,122	\$ 15,901,980

See notes to consolidated financial statements.

FAMILY LIFE COMMUNICATIONS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues, support and gains:			
General contributions	\$ 8,606,422	\$ 630,543	\$ 9,236,965
Grant income	402,000	-	402,000
Resource sales and seminar income	58,642	-	58,642
Donations for broadcasting time	393,444	-	393,444
Income from bequests and annuities	27,957	-	27,957
Investment income, net	135,050	-	135,050
Rental and other income	150,095	-	150,095
Gain on sale of assets	514,736	-	514,736
Net assets released from restriction	<u>646,493</u>	<u>(646,493)</u>	<u>-</u>
Total revenues, support and gains	<u>10,934,839</u>	<u>(15,950)</u>	<u>10,918,889</u>
Expenses:			
Program services	7,961,619	-	7,961,619
General and administrative	495,611	-	495,611
Fundraising	<u>636,567</u>	<u>-</u>	<u>636,567</u>
Total expenses	<u>9,093,797</u>	<u>-</u>	<u>9,093,797</u>
Change in net assets	1,841,042	(15,950)	1,825,092
Net assets, beginning	<u>15,368,220</u>	<u>19,351</u>	<u>15,387,571</u>
Net assets, ending	<u>\$ 17,209,262</u>	<u>\$ 3,401</u>	<u>\$ 17,212,663</u>

See notes to consolidated financial statements.

FAMILY LIFE COMMUNICATIONS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues, support and gains:			
General contributions	\$ 8,373,821	\$ 564,707	\$ 8,938,528
Resource sales and seminar income	48,279	-	48,279
Donations for broadcasting time	544,694	-	544,694
Income from bequests and annuities	155,045	-	155,045
Investment income, net	65,930	-	65,930
Rental and other income	124,406	-	124,406
Gain on sale of assets	367,477	-	367,477
Net assets released from restriction	572,395	(572,395)	-
Total revenues, support and gains	10,252,047	(7,688)	10,244,359
Expenses:			
Program services	8,067,843	-	8,067,843
General and administrative	491,186	-	491,186
Fundraising	702,239	-	702,239
Total expenses	9,261,268	-	9,261,268
Change in net assets	990,779	(7,688)	983,091
Net assets, beginning	14,377,441	27,039	14,404,480
Net assets, ending	\$ 15,368,220	\$ 19,351	\$ 15,387,571

See notes to consolidated financial statements.

FAMILY LIFE COMMUNICATIONS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total expenses</u>
Payroll	\$ 3,378,423	\$ 210,307	\$ 270,120	\$ 3,858,850
Payroll related taxes and benefits	<u>805,748</u>	<u>50,158</u>	<u>64,423</u>	<u>920,329</u>
	4,184,171	260,465	334,543	4,779,179
Administration, not elsewhere classified	43,325	2,697	3,464	49,486
Bank and processing fees	112,177	6,983	8,969	128,129
Computer software and support	238,952	14,875	19,105	272,932
Depreciation and amortization	522,581	32,531	41,783	596,895
Insurance	153,702	9,568	12,289	175,559
Interest	8,324	518	666	9,508
Internet and transmission charges	112,133	6,980	8,966	128,079
Outside and contract services	365,847	22,774	29,251	417,872
Postage	162,679	10,127	13,007	185,813
Printing	183,706	11,436	14,688	209,830
Professional fees	269,320	16,765	21,533	307,618
Programming	174,065	10,836	13,917	198,818
Promotions	192,148	11,961	15,363	219,472
Rent, building and repairs	594,363	36,999	47,522	678,884
Taxes, licenses and fees	71,582	4,456	5,723	81,761
Telephone	77,177	4,804	6,171	88,152
Travel	115,618	7,197	9,244	132,059
Utilities	<u>379,749</u>	<u>23,639</u>	<u>30,363</u>	<u>433,751</u>
	<u>\$ 7,961,619</u>	<u>\$ 495,611</u>	<u>\$ 636,567</u>	<u>\$ 9,093,797</u>

See notes to consolidated financial statements.

FAMILY LIFE COMMUNICATIONS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program services	General and administrative	Fundraising	Total expenses
Payroll	\$ 3,070,385	\$ 196,516	\$ 280,955	\$ 3,547,856
Payroll related taxes and benefits	873,637	55,916	79,942	1,009,495
	3,944,022	252,432	360,897	4,557,351
Administration, not elsewhere classified	50,385	3,225	4,610	58,220
Bank and processing fees	112,580	7,206	10,301	130,087
Computer software and support	138,733	8,879	12,695	160,307
Depreciation and amortization	505,320	32,342	46,239	583,901
Impairment of indefinite-lived assets	393,490	-	-	393,490
Insurance	139,248	8,912	12,742	160,902
Interest	19,886	1,273	1,820	22,979
Internet and transmission charges	133,248	8,528	12,193	153,969
Outside and contract services	279,241	17,872	25,552	322,665
Postage	168,977	10,815	15,462	195,254
Printing	232,706	14,894	21,294	268,894
Professional fees	249,286	15,956	22,811	288,053
Programming	151,425	9,692	13,856	174,973
Promotions	219,346	14,039	20,071	253,456
Rent, building and repairs	584,145	37,387	53,452	674,984
Taxes, licenses and fees	131,985	8,448	12,077	152,510
Telephone	70,513	4,513	6,452	81,478
Travel	147,249	9,424	13,474	170,147
Utilities	396,058	25,349	36,241	457,648
	\$ 8,067,843	\$ 491,186	\$ 702,239	\$ 9,261,268

See notes to consolidated financial statements.

FAMILY LIFE COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>1,825,092</u>	\$ <u>983,091</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	596,895	583,901
Gain on sale of assets	(514,736)	(367,477)
Unrealized loss on investments	23,036	210,388
Realized gain on sale of investments	(104,674)	(221,990)
Donations of stock	(110,607)	(131,805)
Impairment of indefinite-lived assets	-	393,490
Change in value of annuities	(7,050)	6,508
Changes in operating assets and liabilities:		
Accounts receivable	71,693	(73,629)
Other assets	12,900	28,554
Accounts payable and accrued expenses	146,868	29,467
Deferred support	<u>572,232</u>	<u>-</u>
Total adjustments	<u>686,557</u>	<u>457,407</u>
Net cash provided by operating activities	<u>2,511,649</u>	<u>1,440,498</u>
Cash flows from investing activities:		
Purchases of property and equipment	(658,997)	(468,231)
Proceeds from sale of assets	209,022	450,000
Purchases of radio frequency licenses	-	(833,725)
Proceeds from sale of investments	863,186	1,411,208
Purchases of investments	<u>(717,846)</u>	<u>(1,239,780)</u>
Net cash used in investing activities	<u>(304,635)</u>	<u>(680,528)</u>
Cash flows from financing activities:		
Payments on annuity obligations	<u>(24,000)</u>	<u>(19,380)</u>
Net cash used in investing activities	<u>(24,000)</u>	<u>(19,380)</u>
Net increase in cash and cash equivalents	2,183,014	740,590
Cash and cash equivalents, beginning	<u>5,923,878</u>	<u>5,183,288</u>
Cash and cash equivalents, ending	<u>\$ 8,106,892</u>	<u>\$ 5,923,878</u>

See notes to consolidated financial statements.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

1. Description of organization and summary of significant accounting policies:

Organization:

Family Life Communications Incorporated (the Company) is a nonprofit company which is the sole member of nonprofit corporations consisting of (i) Family Life Broadcasting System (comprised of four separate nonprofit corporations collectively referred to as Family life Broadcasting) and (ii) Parent Talk, Inc., which is the sole shareholder of a wholly-owned inactive for-profit corporation. The Company provides, through its affiliates, Christian broadcasting by way of its owned radio stations in eleven states, conferences, resources material, and syndicated broadcast programs.

Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its affiliates, Family Life Broadcasting System and Parent Talk, Inc. (collectively, the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

Net assets:

Net assets, support, 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.

Adoption of new accounting standards:

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01)". ASU 2016-01 requires all investments be measured at fair value, clarified certain investment disclosures and provides prescribed measurement for equity investments without readily determinable fair values. Effective July 1, 2019, the Organization adopted ASU 2016-01 utilizing the retrospective method. There was no effect on net assets or the change in net assets for any period presented related to the adoption.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

1. Description of organization and summary of significant accounting policies (continued):

Adoption of new accounting standards (continued):

In June 2018, the FASB issued ASU No. 2018-08, "Not-for-Profit Entities (Topic 958)". The update clarifies the scope and accounting guidance for contributions received and contributions made. Effective July 1, 2019, the Organization adopted ASU 2018-08 utilizing the full retrospective method. The Organization's revenue recognition practices for contributions under Topic 958 do not differ significantly from prior practices. Therefore, no changes were required to previously reported nonexchange revenues as a result of the adoption and a retrospective analysis of account balance changes was not required.

Estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 consolidated financial statements and the reported amounts of revenues, support and gains and expenses during the reporting period. On an ongoing basis, management evaluates its estimates, including those related to inputs used to recognize revenue over time. Actual results could differ materially from such estimates and assumptions.

Revenue, support and gains:

The Organization records contributions as support when donations are unconditionally given by a donor. Support is recorded in two classes of net assets: without donor restrictions and with donor restrictions. Contributions are recorded as support without donor restrictions if no donor stipulations are placed on the use of the donated asset. Contributions are recorded as support with donor restrictions if they are received with donor stipulations that limit the use on the donated assets, such as a designation to be used as support in specified years or towards specified projects. When a donor restriction expires or is met, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions are also recorded as support with donor restriction if the donor stipulates that the donated asset must be held in perpetuity.

The Organization conducts annual drives, primarily in the spring, fall, and end of year, to raise funds in the support of its ministries. The Organization asks donors to indicate their intention to give on an on-going monthly basis and not as a promise. Intentions to give are not recorded as support until the amount is collected from the donor.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Amounts received in advance of the conditions being substantially met are recorded as deferred support.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

1. Description of organization and summary of significant accounting policies (continued):

Cash and cash equivalents:

All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents. Cash designated for long-term purposes is classified as investments.

All cash and cash equivalents are placed with various credit institutions. At times, such amounts may be in excess of the FDIC insurance limits; however, management does not believe they are exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable:

The Organization grants unsecured credit to its broadcasting and lease customers. The Organization considers accounts over 90 days to be past due.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific doubtful accounts and the aging of accounts receivable. Receivables are written off when deemed uncollectible. Accounts receivable are considered fully collectible by management; therefore, no allowance for doubtful accounts has been provided.

Property, equipment, depreciation and amortization:

Property and equipment are stated at cost or, if acquired by gift, at estimated fair market value at the date of donation. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 25 years. Maintenance, repairs and minor renewals are expensed as incurred while expenditures for additions and improvements with a useful life greater than a year and over \$1,000 are capitalized.

Radio frequency licenses:

The Organization's indefinite-lived intangible assets consist of radio frequency licenses granted by the Federal Communications Commission. In accordance with GAAP, the frequency licenses are evaluated annually by management to determine if their residual cost exceeds their fair value. The Organization performed its annual impairment tests on its indefinite-lived assets as of June 30, 2020 and 2019, which resulted in a noncash loss of \$0 and \$323,490 for the years then ended. The impairment charge in 2019 reduced the carrying value of three stations. Accumulated amortization and impairments of radio frequency licenses was \$1,059,076 and \$1,828,349 at June 30, 2020 and 2019.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

1. Description of organization and summary of significant accounting policies (continued):

Financing receivables:

The Organization grants secured credit to third parties through interest bearing and noninterest-bearing loans. Management continually evaluates the credit quality of these receivables using various indicators that consider both qualitative and quantitative factors including the third parties' access to financial markets. Because of economic volatility, it is possible that the third parties' ability to access financial markets to obtain sufficient funding to repay these notes may be limited by various factors at a time when the affiliates and third parties would like, or need to do so.

Management has not provided an allowance for doubtful receivables based upon prior experience and management's assessment of the collectability of the amount. Receivables are charged off when all reasonable collection efforts have been exhausted.

Investments:

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Donated investments are recorded at their fair value at the date of gift. Investment gains and losses are included in the consolidated statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulations or legal requirements.

Annuities payable:

Annuities payable consist of charitable gift annuities and a liability under an unqualified deferred compensation plan which is payable in the form of an annuity. Charitable gift annuities are stated at the actuarially computed present value of future payments to payees, calculated using the current rate established by the American Council on Gift Annuities. Funds received are recorded as general assets of the Organization. Funds received in excess of the present values payable on annuity contracts are recorded as contributions in the year received.

Fair value measurements:

Fair value is defined as the price to sell an asset or transfer a liability between market participants as of the measurement date. Fair value measurements assume the asset or liability is exchanged in an orderly manner; the exchange is in the principal market for that asset or liability (or in the most advantageous market when no principal market exists); and that the market participants are independent, knowledgeable, able and willing to transact an exchange. The provisions also clarify that the reporting entity's nonperformance risk (credit risk) should be considered in valuing liabilities.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

1. Description of organization and summary of significant accounting policies (continued):

Fair value measurements (continued):

Accounting standards establish a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions and expands disclosures about fair value measurements. 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). Considerable judgment is required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in the consolidated financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value.

Advertising:

Advertising costs are expensed as incurred and totaled \$90,759 and \$108,481 for the years ended June 30, 2020 and 2019.

Functional allocation of expenses:

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of the Organization. Those expenses are allocated based on the number of employees by department and an estimate of the square footage assigned to that department.

Tax exempt status:

The Family Life Broadcasting and Parent Talk are exempt from income taxes under both federal (Internal Revenue Code Section 501(c)(3)) and Arizona income tax laws, and are classified as other than a private foundation under Internal Revenue Code Section 509(a)(2). Income from certain activities not directly related to their tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income.

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to June 30, 2020 through March 19, 2021, the date that the consolidated financial statements were available to be issued. Management has no responsibility to update these consolidated financial statements for events and circumstances occurring after this date.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

2. Liquidity and availability of financial assets:

The following reflects the Organization's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	2020	2019
Cash and cash equivalents	\$ 8,106,892	\$ 5,923,878
Accounts receivable, net	1,936	73,629
Note receivable	585,000	-
Long-term investments	<u>1,975,832</u>	<u>1,928,927</u>
Total financial assets	10,669,660	7,926,434
Note receivable scheduled to be collected in more than one year	(438,750)	-
Donor restricted for specific purpose	(3,401)	(19,351)
Internal designations:		
Special projects	(552,590)	(545,000)
Long-term reserves	<u>(1,975,832)</u>	<u>(1,928,927)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,699,087</u>	<u>\$ 5,433,156</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

3. Note receivable:

In July 2019, the Organization sold radio frequency licenses and equipment in exchange for \$65,000 cash and a \$585,000 note receivable. The note is receivable in four annual installments of \$146,250 through July 2023. The note is secured by the assets sold and is guaranteed by an individual.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

3. Note receivable (continued):

Future maturities of the note receivable are as follows:

Year ending <u>June 30,</u>	
2021	\$ 146,250
2022	146,250
2023	146,250
2024	<u>146,250</u>
	<u>\$ 585,000</u>

4. Investments:

Investments at June 30, 2020 and 2019 are carried at fair value. The fair value of assets has been measured on a recurring basis based on the quoted market price of net asset value, or the trade price on a national securities exchange, at close of business on the measurement date (Level 1).

	<u>2020</u>	<u>2019</u>
Equity securities	\$ 751,351	\$ 913,642
Mutual funds	875,851	620,480
Bonds	94,171	151,512
Long-term certificates of deposit	-	135,233
Money market funds	240,932	78,097
Exchange traded funds	<u>13,527</u>	<u>29,963</u>
	<u>\$ 1,975,832</u>	<u>\$ 1,928,927</u>

Net investment income for the years ended June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 72,025	\$ 72,742
Net realized and unrealized gains on investments	81,638	11,602
Investment fees	<u>(18,613)</u>	<u>(18,414)</u>
	<u>\$ 135,050</u>	<u>\$ 65,930</u>

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

5. Property and equipment:

	2020	2019
Broadcasting equipment	\$ 8,273,620	\$ 8,923,740
Building and improvements	2,878,604	3,136,800
Furniture, equipment, and software	1,322,799	1,149,367
Land and improvement	1,326,648	1,324,548
Leasehold improvements	25,103	14,708
	13,826,774	14,549,163
Less accumulated depreciation and amortization	10,298,330	11,046,309
	\$ 3,528,444	\$ 3,502,854

6. Annuity obligations:

During 2004, the Organization purchased the assets of a station in Roswell, New Mexico. The consideration paid for the station's assets consisted solely of the assumption of a deferred compensation plan liability. Monthly payments required under the agreement are \$2,585 over the joint remaining life expectancy of the payee and spouse. The fair value of this liability was estimated to be \$385,000 using an average discount rate of 4.65% over a life expectancy of 18 years. The discount rate was estimated based on current rates for debt instruments with similar risks and maturities. The balance of this liability was approximately \$56,000 and \$80,000 at June 30, 2020 and 2019.

Amounts payable under other charitable gift annuity agreements were approximately \$180,000 and \$181,000 at June 30, 2020 and 2019.

7. Paycheck Protection Program (PPP) loan:

In April 2020, the Organization was granted an unsecured PPP loan from BBVA USA in the amount of \$860,905, pursuant to the CARES Act and the PPP Flexibility Act (the Acts). The loan bears interest at a rate of 1%. The Acts defer repayment of principal and interest to the earlier of the date of loan forgiveness or ten months after the last day of the chosen covered period. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for covered expenses as described in the Acts. The Organization plans to use the entire loan amount for covered expenses. Under the PPP program, the Small Business Administration (SBA) may undertake an audit of a loan of any size. The audit will include the loan forgiveness application, as well as whether the Organization met the eligibility requirements of the program and received the proper loan amount. The Organization has not applied for forgiveness as of March 19, 2021.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

7. Paycheck Protection Program (PPP) loan (continued):

The Organization accounts for the PPP loan as a conditional grant in accordance with ASC 958-605. The grant is conditional based on the Organization incurring covered expenses, maintaining employee count, and limiting salary reductions. During 2020, the Organization recorded \$402,000 as support based on their assessment of conditions that have been substantially met. The remaining portion of \$458,905 is recorded as deferred support at June 30, 2020, and will be recognized as support when the remaining conditions are considered substantially met.

8. Management designated reserves:

Net assets with donor restrictions are primarily available for project specific capital expenditures. Additionally, as of June 30, 2020 and June 30, 2019, management has designated approximately \$553,000 and \$545,000 of net assets without donor restriction for various projects, which are primarily facilities and program related.

9. Net assets with donor restrictions:

Net assets with donor restrictions are restricted for specified purposes as follows:

	<u>2020</u>	<u>2019</u>
JAPP	\$ 2,500	\$ 2,500
Matching Fund	-	15,950
Muslim Outreach	<u>901</u>	<u>901</u>
	<u>\$ 3,401</u>	<u>\$ 19,351</u>

10. Retirement plan:

The Organization sponsors a defined contribution plan, under which the employer can elect to make contributions to eligible employees. The plan allows for matching contributions at 2% of employees contributions up to 4% of their base salary and discretionary contributions totaling 6% of eligible wages for executive leadership and 2% of eligible wages for general staff. Contributions to the plan by the Organization are at the discretion of the Board of Directors. All employees who meet minimum age and service requirements are eligible to participate in the Plan. The Organization's contributions to the plan were approximately \$162,000 and \$211,000 for the years ending June 30, 2020 and 2019.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

11. Commitments and contingencies:

Lease commitments:

The Organization leases various facilities and equipment under noncancelable operating leases that expire at various dates through December 2037. Some of the leases contain renewal options. Rent expense incurred was approximately \$567,000 and \$572,000 for the years ending June 30, 2020 and 2019.

At June 30, 2020, future commitments under noncancelable operating leases with initial or remaining terms of one year or more are as follows:

Year ending	
<u>June 30,</u>	
2021	\$ 434,738
2022	378,018
2023	298,716
2024	198,478
2025	107,933
Thereafter	<u>875,192</u>
	<u>\$ 2,293,075</u>

The Organization is also the lessor under various operating leases that expire at various dates through January 2030. Some of the leases contain renewal options. Rental income was approximately \$150,000 and \$124,000 for the years ending June 30, 2020 and 2019.

At June 30, 2020, future rental income under noncancelable operating leases with initial or remaining terms of one year or more as follows:

Year ending	
<u>June 30,</u>	
2021	\$ 93,198
2022	95,306
2023	49,601
2024	41,800
2025	17,368
Thereafter	<u>21,945</u>
	<u>\$ 319,218</u>

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

12. Reclassifications:

Certain amounts in the 2019 consolidated financial statements have been reclassified to conform with the 2020 consolidated financial statement presentation. These reclassifications had no effect on total net assets at June 30, 2019 or the change in net assets for the year then ended.

13. Pending pronouncements:

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers." ASU 2014-09 applies to contracts with customers, excluding, most notably, insurance and leasing contracts. ASU 2014-09 prescribes a framework in accounting for revenues from contracts within its scope, including (a) identifying the contract, (b) identifying the performance obligations under the contract, (c) determining the transaction price, (d) allocating the transaction price to the identified performance obligations and (e) recognizing revenues as the identified performance obligations are satisfied. ASU 2014-09 also prescribes additional financial statement presentations and disclosures. ASU 2014-09 is effective for reporting periods beginning after December 15, 2020, with early adoption permitted.

In February 2016, the FASB issued ASU 2016-02 "Leases." ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, along with additional qualitative and quantitative disclosures. ASU 2016-02 is effective for reporting periods beginning after December 15, 2021, with early adoption permitted.

Management is currently evaluating the effect that these standards will have on the consolidated financial statements.

FAMILY LIFE COMMUNICATIONS, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

	ASSETS			
	<u>Family Life Broadcasting</u>	<u>Parent Talk, Inc.</u>	<u>Eliminating entries</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 8,083,767	\$ 23,125	\$ -	\$ 8,106,892
Accounts receivable, net	1,936	-	-	1,936
Current portion of note receivable	<u>146,250</u>	<u>-</u>	<u>-</u>	<u>146,250</u>
Total current assets	8,231,953	23,125	-	8,255,078
Note receivable, net of current portion	438,750	-	-	438,750
Property and equipment, net	3,526,163	2,281	-	3,528,444
Radio station frequency licenses, net	4,195,779	-	-	4,195,779
Long-term investments	1,485,148	490,684	-	1,975,832
Intercompany receivable	48,825	-	(48,825)	-
Other assets	<u>21,239</u>	<u>-</u>	<u>-</u>	<u>21,239</u>
Total assets	<u>\$ 17,947,857</u>	<u>\$ 516,090</u>	<u>\$ (48,825)</u>	<u>\$ 18,415,122</u>

LIABILITIES AND NET ASSETS

Current liabilities:				
Current portion of annuity obligations	\$ 29,000	\$ -	\$ -	\$ 29,000
Accounts payable and accrued expenses	390,114	3,408	-	393,522
Deferred support	<u>569,732</u>	<u>2,500</u>	<u>-</u>	<u>572,232</u>
Total current liabilities	988,846	5,908	-	994,754
Annuity obligations, net of current portion	207,705	-	-	207,705
Intercompany payable	<u>-</u>	<u>48,825</u>	<u>(48,825)</u>	<u>-</u>
Total liabilities	<u>1,196,551</u>	<u>54,733</u>	<u>(48,825)</u>	<u>1,202,459</u>
Commitments and contingencies				
Net assets:				
Without donor restrictions:				
Undesignated	13,221,742	459,076	-	13,680,818
Invested in property and equipment	<u>3,526,163</u>	<u>2,281</u>	<u>-</u>	<u>3,528,444</u>
Total net assets without donor restrictions	16,747,905	461,357	-	17,209,262
With donor restrictions	<u>3,401</u>	<u>-</u>	<u>-</u>	<u>3,401</u>
Total net assets	<u>16,751,306</u>	<u>461,357</u>	<u>-</u>	<u>17,212,663</u>
Total liabilities and net assets	<u>\$ 17,947,857</u>	<u>\$ 516,090</u>	<u>\$ (48,825)</u>	<u>\$ 18,415,122</u>

FAMILY LIFE COMMUNICATIONS, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Family Life Broadcasting		Parent Talk, Inc.		Total
	Without donor restriction	With donor restrictions	Without donor restrictions	With donor restrictions	
Revenues, support and gains:					
General contributions	\$ 7,672,637	\$ 596,550	\$ 933,785	\$ 33,993	\$ 9,236,965
Grant income	402,000	-	-	-	402,000
Resource sales and seminar income	-	-	58,642	-	58,642
Donations for broadcasting time	393,444	-	-	-	393,444
Income from bequests and annuities	27,957	-	-	-	27,957
Investment income, net	87,763	-	47,287	-	135,050
Rental and other income	150,095	-	-	-	150,095
Gain on sale of assets	514,736	-	-	-	514,736
Net assets released from restriction	<u>612,500</u>	<u>(612,500)</u>	<u>33,993</u>	<u>(33,993)</u>	<u>-</u>
Total revenues, support and gains	<u>9,861,132</u>	<u>(15,950)</u>	<u>1,073,707</u>	<u>-</u>	<u>10,918,889</u>
Expenses:					
Program services	7,163,570	-	798,049	-	7,961,619
General and administrative	452,013	-	43,598	-	495,611
Fundraising	<u>576,323</u>	<u>-</u>	<u>60,244</u>	<u>-</u>	<u>636,567</u>
Total expenses	<u>8,191,906</u>	<u>-</u>	<u>901,891</u>	<u>-</u>	<u>9,093,797</u>
Change in net assets	1,669,226	(15,950)	171,816	-	1,825,092
Net assets, beginning	<u>15,078,679</u>	<u>19,351</u>	<u>289,541</u>	<u>-</u>	<u>15,387,571</u>
Net assets, ending	<u>\$16,747,905</u>	<u>\$ 3,401</u>	<u>\$ 461,357</u>	<u>\$ -</u>	<u>\$17,212,663</u>