

FAMILY LIFE COMMUNICATIONS, INC.

YEAR ENDED JUNE 30, 2019

FAMILY LIFE COMMUNICATIONS, INC.

YEAR ENDED JUNE 30, 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 statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 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 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, 2019, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying information on pages 16 and 17 is presented for purposes of additional analysis and 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 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Beach Fleishman PC

Tucson, Arizona
February 3, 2020

FAMILY LIFE COMMUNICATIONS, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

| | | |
|---------------------------------------|----|--------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ | 5,923,878 |
| Accounts receivable, net | | <u>73,629</u> |
| Total current assets | | 5,997,507 |
| Property and equipment, net | | 3,502,854 |
| Radio station frequency licenses, net | | 4,438,553 |
| Long-term investments | | 1,928,927 |
| Other | | <u>34,139</u> |
| Total assets | \$ | <u><u>15,901,980</u></u> |

LIABILITIES AND NET ASSETS

| | | |
|---|----|--------------------------|
| Current liabilities: | | |
| Current portion of annuity obligations | \$ | 30,500 |
| Accounts payable and accrued expenses | | <u>246,654</u> |
| Total current liabilities | | 277,154 |
| Annuity obligations, net of current portion | | <u>237,255</u> |
| Total liabilities | | <u>514,409</u> |
| Commitments and contingencies | | |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | | 11,865,366 |
| Invested in property and equipment | | <u>3,502,854</u> |
| Total net assets without donor restrictions | | 15,368,220 |
| With donor restrictions | | <u>19,351</u> |
| Total net assets | | <u>15,387,571</u> |
| Total liabilities and net assets | \$ | <u><u>15,901,980</u></u> |

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

| | <u>Without donor restrictions</u> | <u>With donor restrictions</u> | <u>Total</u> |
|--------------------------------------|---|------------------------------------|----------------------|
| 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 | <u>572,395</u> | <u>(572,395)</u> | <u>-</u> |
| Total revenues, support and gains | <u>10,252,047</u> | <u>(7,688)</u> | <u>10,244,359</u> |
| Expenses: | | | |
| Program services | 8,067,843 | - | 8,067,843 |
| General and administrative | 491,186 | - | 491,186 |
| Fundraising | <u>702,239</u> | <u>-</u> | <u>702,239</u> |
| Total expenses | <u>9,261,268</u> | <u>-</u> | <u>9,261,268</u> |
| Increase (decrease) in net assets | 990,779 | (7,688) | 983,091 |
| Net assets, beginning, as restated | <u>14,377,441</u> | <u>27,039</u> | <u>14,404,480</u> |
| Net assets, ending | <u>\$ 15,368,220</u> | <u>\$ 19,351</u> | <u>\$ 15,387,571</u> |

See notes to consolidated financial statements.

FAMILY LIFE COMMUNICATIONS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

| | <u>Program services</u> | <u>General and administrative</u> | <u>Fundraising</u> | <u>Total expenses</u> |
|--|-----------------------------|---------------------------------------|--------------------|---------------------------|
| Payroll | \$ 3,070,385 | \$ 196,516 | 280,955 | \$ 3,547,856 |
| Payroll related taxes and benefits | <u>873,637</u> | <u>55,916</u> | <u>79,942</u> | <u>1,009,495</u> |
| | 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 | 497,503 | 31,842 | 45,524 | 574,869 |
| Postage | 168,977 | 10,815 | 15,462 | 195,254 |
| Printing | 232,706 | 14,894 | 21,294 | 268,894 |
| Professional fees | 31,024 | 1,986 | 2,839 | 35,849 |
| 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 | <u>396,058</u> | <u>25,349</u> | <u>36,241</u> | <u>457,648</u> |
| | <u>\$ 8,067,843</u> | <u>\$ 491,186</u> | <u>\$ 702,239</u> | <u>\$ 9,261,268</u> |

See notes to consolidated financial statements.

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

| | |
|---|----------------------------|
| Cash flows from operating activities: | |
| Increase in net assets | \$ <u>983,091</u> |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 583,901 |
| Gain on sale of assets | (367,477) |
| Unrealized loss on investments | 210,388 |
| Realized gain on sale of investments | (221,990) |
| Donations of stock | (131,805) |
| Impairment of indefinite-lived assets | 393,490 |
| Change in value of annuities | 6,508 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (73,629) |
| Other assets | 28,554 |
| Accounts payable and accrued expenses | <u>29,467</u> |
| Total adjustments | <u>457,407</u> |
| Net cash provided by operating activities | <u>1,440,498</u> |
| Cash flows from investing activities: | |
| Purchases of property and equipment | (468,231) |
| Proceeds from sale of assets | 450,000 |
| Purchases of radio frequency licenses | (833,725) |
| Proceeds from sale of investments | 1,411,208 |
| Purchases of investments | <u>(1,239,780)</u> |
| Net cash used in investing activities | <u>(680,528)</u> |
| Cash flows from financing activities: | |
| Payments on annuity obligations | <u>(19,380)</u> |
| Net cash used in financing activities | <u>(19,380)</u> |
| Net increase in cash and cash equivalents | 740,590 |
| Cash and cash equivalents, beginning | <u>5,183,288</u> |
| Cash and cash equivalents, ending | <u><u>\$ 5,923,878</u></u> |

FAMILY LIFE COMMUNICATIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 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 inter-company accounts and transactions have been eliminated in consolidation.

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.

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 and expenses during the reporting period. Actual results could differ from those estimates.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

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

Public support and revenue:

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 by the Organization's net assets with 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.

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 collectibility 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.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

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

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 leases 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, 2019, which resulted in a noncash loss of \$393,490 for the year then ended. The impairment charge reduced the carrying value of three stations. Accumulated amortization and impairments of radio frequency licenses was \$1,828,349 at June 30, 2019

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.

Advertising:

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

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

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

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.

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.

Functional allocation of expenses:

The consolidated financial statements report certain categories of expenses that are attributable to one or more program 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 (UBTI).

Both entities are required to file informational returns for federal and state purposes and, if they have UBTI, federal and state income tax returns. Management has performed its evaluation of tax positions taken on all open tax years and has determined that there were no positions taken that do not meet the "more likely than not" standard.

From time to time, the Organization may be subject to penalties and interest assessed by various taxing authorities, which are classified as general and administrative expenses, if they occur.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

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

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to June 30, 2019 through February 3, 2020, 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.

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.

| | |
|--|---------------------|
| Cash | \$ 5,923,878 |
| Accounts receivable, net | 73,629 |
| Long-term investments | <u>1,928,927</u> |
| Total financial assets | 7,926,434 |
| Donor restricted for specific purpose | (19,351) |
| Internal designations: | |
| Special projects | (545,000) |
| Long-term reserves | <u>(1,928,927)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <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.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

3. Investments:

Investments at June 30, 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).

| | |
|-----------------------------------|---------------------|
| Equity securities | \$ 913,642 |
| Mutual funds | 620,480 |
| Bonds | 151,512 |
| Long-term certificates of deposit | 135,233 |
| Money market funds | 78,097 |
| Exchange traded funds | <u>29,963</u> |
| | <u>\$ 1,928,927</u> |

Net investment income for the year ended June 30, 2019 consists of the following:

| | |
|--|------------------|
| Interest and dividend income | \$ 72,742 |
| Net realized and unrealized gains on investments | 11,602 |
| Investment fees | <u>(18,414)</u> |
| | <u>\$ 65,930</u> |

4. Property and equipment:

| | |
|--|---------------------|
| Building and improvements | \$ 3,136,800 |
| Broadcasting equipment | 8,923,740 |
| Furniture, equipment, and software | 1,149,367 |
| Land and improvement | 1,324,548 |
| Leasehold improvements | <u>14,708</u> |
| | 14,549,163 |
| Less accumulated depreciation and amortization | <u>11,046,309</u> |
| | <u>\$ 3,502,854</u> |

5. Annuity obligations:

Amounts payable under charitable gift annuity agreements were \$181,000 at June 30, 2019.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

5. Annuity obligations (continued):

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 \$80,000 at June 30, 2019.

6. Management designated reserves:

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

7. Net assets with donor restrictions:

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

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

8. Retirement plan:

The Organization sponsors a defined contribution plan. 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 \$211,000 for the year ending June 30, 2019. The Organization contributes to employee retirement by two methods. Contributions are made by a defined matching plan based on employee contributions and by discretionary retirement contribution for the year ended June 30, 2019, which is approved by the board and funded in the following year. The Organization matches employee retirement contribution by 2% on employee retirement contributions up to 4% of base salary. The Organization separates its employees into two classes for the purpose of making the discretionary retirement contribution. One class for executive leadership and the other class for general staff, the classes receive 6% and 2% respectively computed on year end base wages.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

9. Commitments and contingencies:

Lease commitments:

The Organization leases various facilities and equipment under operating leases that expire at various dates through December 2038. Some of the leases contain renewal options. Rent expense incurred was approximately \$572,000 for the year ending June 30, 2019.

At June 30, 2019, future commitments under non-cancelable operating leases with initial or remaining terms of one year or more are as follows:

| Year ending <u>June 30,</u> | |
|--------------------------------|---------------------|
| 2020 | \$ 425,084 |
| 2021 | 414,133 |
| 2022 | 356,794 |
| 2023 | 276,856 |
| 2024 | 175,962 |
| Thereafter | <u>977,455</u> |
| | <u>\$ 2,626,284</u> |

The Organization is also the lessor under various operating leases that expire at various dates through December 2023. Some of the leases contain renewal options. Rental income was approximately \$124,000 for the year ending June 30, 2019.

At June 30, 2019, future rental income under non-cancelable operating leases with initial or remaining terms of one year or more as follows:

| Year ending <u>June 30,</u> | |
|--------------------------------|-------------------|
| 2020 | \$ 69,682 |
| 2021 | 53,641 |
| 2022 | 54,008 |
| 2023 | <u>8,056</u> |
| | <u>\$ 185,387</u> |

10. Concentrations:

At June 30, 2019, two customers accounted for 97% of accounts receivable.

FAMILY LIFE COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

11. Restatement:

Historically, the Organization has not adjusted the liability for annuities payable to the present value of future payments as required by GAAP. Beginning net assets without donor restrictions were restated to properly state the annuities payable balance. This restatement increased beginning net assets without donor restrictions by \$97,862.

12. 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, 2018, with early adoption permitted.

In June 2018, the FASB issued ASU 2018-08 "Not-for-Profit Entities" to clarify the scope and accounting guidance for contributions made and received. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions. The standard effectively excludes contributions from the requirements of ASU 2014-09.

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 financial statements.

FAMILY LIFE COMMUNICATIONS, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

| | <u>Family Life Broadcasting</u> | <u>Parent Talk, Inc.</u> | <u>Eliminating entries</u> | <u>Total</u> |
|---------------------------------------|-------------------------------------|------------------------------|--------------------------------|----------------------|
| Current assets: | | | | |
| Cash and cash equivalents | \$ 5,906,213 | \$ 17,665 | \$ - | \$ 5,923,878 |
| Accounts receivable, net | <u>73,629</u> | <u>-</u> | <u>-</u> | <u>73,629</u> |
| Total current assets | 5,979,842 | 17,665 | - | 5,997,507 |
| Property and equipment, net | 3,502,584 | 270 | - | 3,502,854 |
| Radio station frequency licenses, net | 4,438,553 | - | - | 4,438,553 |
| Long-term investments | 1,472,339 | 456,588 | - | 1,928,927 |
| Intercompany receivable | 174,780 | - | (174,780) | - |
| Other | <u>34,139</u> | <u>-</u> | <u>-</u> | <u>34,139</u> |
| Total assets | <u>\$ 15,602,237</u> | <u>\$ 474,523</u> | <u>\$ (174,780)</u> | <u>\$ 15,901,980</u> |

LIABILITIES AND NET ASSETS

| | | | | |
|--|----------------------|-------------------|---------------------|----------------------|
| Current liabilities: | | | | |
| Current portion of annuity obligations | \$ 30,500 | \$ - | \$ - | \$ 30,500 |
| Accounts payable and accrued expenses | 236,452 | 10,202 | - | 246,654 |
| Intercompany payable | <u>-</u> | <u>174,780</u> | <u>(174,780)</u> | <u>-</u> |
| Total current liabilities | <u>266,952</u> | <u>184,982</u> | <u>(174,780)</u> | <u>277,154</u> |
| Annuity obligations, net of current portion | <u>237,255</u> | <u>-</u> | <u>-</u> | <u>237,255</u> |
| Total liabilities | <u>504,207</u> | <u>184,982</u> | <u>(174,780)</u> | <u>514,409</u> |
| Commitment and contingencies | | | | |
| Net assets: | | | | |
| Without donor restrictions: | | | | |
| Undesignated | 11,576,095 | 289,271 | - | 11,865,366 |
| Invested in property and equipment | <u>3,502,584</u> | <u>270</u> | <u>-</u> | <u>3,502,854</u> |
| Total net assets without donor restrictions | 15,078,679 | 289,541 | - | 15,368,220 |
| With donor restrictions | <u>19,351</u> | <u>-</u> | <u>-</u> | <u>19,351</u> |
| Total net assets | <u>15,098,030</u> | <u>289,541</u> | <u>-</u> | <u>15,387,571</u> |
| Total liabilities and net assets | <u>\$ 15,602,237</u> | <u>\$ 474,523</u> | <u>\$ (174,780)</u> | <u>\$ 15,901,980</u> |

FAMILY LIFE COMMUNICATIONS, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

| | Family Life Broadcasting | | Parent Talk, Inc. | | Total |
|--------------------------------------|---------------------------------|----------------------------|----------------------------|----------------------------|----------------------|
| | Without donor restriction | With donor restrictions | With donor restrictions | With donor restrictions | |
| Revenues, support and gains: | | | | | |
| General contributions | \$ 7,500,424 | \$ 507,516 | \$ 873,397 | \$ 57,191 | \$ 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 | 32,621 | - | 33,309 | - | 65,930 |
| Rental and other income | 124,406 | - | - | - | 124,406 |
| Gain on sale of assets | 367,477 | - | - | - | 367,477 |
| Net assets released from restriction | <u>511,204</u> | <u>(511,204)</u> | <u>61,191</u> | <u>(61,191)</u> | <u>-</u> |
| Total revenues, support and gains | <u>9,235,871</u> | <u>(3,688)</u> | <u>1,016,176</u> | <u>(4,000)</u> | <u>10,244,359</u> |
| Expenses: | | | | | |
| Program services | 7,378,997 | - | 688,846 | - | 8,067,843 |
| General and administrative | 447,588 | - | 43,598 | - | 491,186 |
| Fundraising | <u>641,995</u> | <u>-</u> | <u>60,244</u> | <u>-</u> | <u>702,239</u> |
| Total expenses | <u>8,468,580</u> | <u>-</u> | <u>792,688</u> | <u>-</u> | <u>9,261,268</u> |
| Increase (decrease) in net assets | 767,291 | (3,688) | 223,488 | (4,000) | 983,091 |
| Net assets, beginning, as restated | <u>14,311,388</u> | <u>23,039</u> | <u>66,053</u> | <u>4,000</u> | <u>14,404,480</u> |
| Net assets, ending | <u>\$ 15,078,679</u> | <u>\$ 19,351</u> | <u>\$ 289,541</u> | <u>\$ -</u> | <u>\$ 15,387,571</u> |