

**FAMILY LIFE COMMUNICATIONS, INC.**

**YEARS ENDED JUNE 30, 2021 AND 2020**

**FAMILY LIFE COMMUNICATIONS, INC.**

**YEARS ENDED JUNE 30, 2021 AND 2020**

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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, 2021 and 2020, 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. and subsidiaries as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended, in accordance 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 Fleischerman PC*

Tucson, Arizona  
November 19, 2021

**FAMILY LIFE COMMUNICATIONS, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2021 AND 2020**

**ASSETS**

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 10,502,327	\$ 8,347,824
Investments	2,237,786	1,734,900
Accounts receivable, net	52,814	1,936
Current portion of note receivable	-	146,250
Total current assets	12,792,927	10,230,910
Note receivable, net of current portion	292,500	438,750
Property and equipment, net	3,537,542	3,528,444
Radio station frequency licenses, net	4,199,903	4,195,779
Other assets	20,714	21,239
Total assets	\$ 20,843,586	\$ 18,415,122

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Current portion of annuity obligations	\$ 24,877	\$ 29,000
Accounts payable and accrued expenses	490,644	393,522
Deferred support	-	572,232
Total current liabilities	515,521	994,754
Annuity obligations, net of current portion	175,202	207,705
Total liabilities	690,723	1,202,459
Commitments		
Net assets:		
Without donor restrictions:		
Undesignated	16,611,920	13,680,818
Invested in property and equipment	3,537,542	3,528,444
Total net assets without donor restrictions	20,149,462	17,209,262
With donor restrictions	3,401	3,401
Total net assets	20,152,863	17,212,663
Total liabilities and net assets	\$ 20,843,586	\$ 18,415,122

See notes to consolidated financial statements.

**FAMILY LIFE COMMUNICATIONS, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2021**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues, support and gains:			
General contributions	\$ 9,782,835	\$ 822,715	\$ 10,605,550
Grant income	458,905	-	458,905
Resource sales and seminar income	3,793	-	3,793
Broadcasting revenue	441,097	-	441,097
Income from bequests and annuities	227,322	-	227,322
Investment income, net	551,904	-	551,904
Rental and other income	136,859	-	136,859
Gain on sale of assets	11,747	-	11,747
Net assets released from restriction	<u>822,715</u>	<u>(822,715)</u>	<u>-</u>
Total revenues, support and gains	<u>12,437,177</u>	<u>-</u>	<u>12,437,177</u>
Expenses:			
Program services	8,300,360	-	8,300,360
General and administrative	503,339	-	503,339
Fundraising	<u>693,278</u>	<u>-</u>	<u>693,278</u>
Total expenses	<u>9,496,977</u>	<u>-</u>	<u>9,496,977</u>
Change in net assets	2,940,200	-	2,940,200
Net assets, beginning	<u>17,209,262</u>	<u>3,401</u>	<u>17,212,663</u>
Net assets, ending	<u>\$ 20,149,462</u>	<u>\$ 3,401</u>	<u>\$ 20,152,863</u>

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
Broadcasting revenue	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 FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2021**

	Program services	General and administrative	Fundraising	Total expenses
Payroll	\$ 3,561,840	\$ 215,993	\$ 297,499	\$ 4,075,332
Payroll related taxes and benefits	889,577	53,945	74,301	1,017,823
	4,451,417	269,938	371,800	5,093,155
Administration, not elsewhere classified	39,771	2,410	3,321	45,502
Bank and processing fees	229,951	13,944	19,206	263,101
Computer software and support	252,223	15,295	21,067	288,585
Depreciation and amortization	501,238	30,395	41,865	573,498
Insurance	145,575	8,828	12,159	166,562
Interest	6,953	422	581	7,956
Internet and transmission charges	102,479	6,214	8,559	117,252
Outside and contract services	468,198	28,392	39,106	535,696
Postage	160,093	9,708	13,372	183,173
Printing	173,357	10,512	14,479	198,348
Professional fees	273,395	16,579	22,835	312,809
Programming	153,614	9,315	12,830	175,759
Promotions	162,196	9,836	13,547	185,579
Rent, building and repairs	564,331	34,221	47,135	645,687
Taxes, licenses and fees	72,470	4,395	6,053	82,918
Telephone	76,560	4,643	6,395	87,598
Travel	94,566	5,735	7,899	108,200
Utilities	371,973	22,557	31,069	425,599
	\$ 8,300,360	\$ 503,339	\$ 693,278	\$ 9,496,977

See notes to consolidated financial statements.



**FAMILY LIFE COMMUNICATIONS, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2020**

	Program services	General and administrative	Fundraising	Total expenses
Payroll	\$ 3,378,423	\$ 210,307	\$ 270,120	\$ 3,858,850
Payroll related taxes and benefits	805,748	50,158	64,423	920,329
	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	379,749	23,639	30,363	433,751
	<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 STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,940,200	\$ 1,825,092
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	573,498	596,895
Gain on sale of assets	(11,747)	(514,736)
Unrealized (gain) loss on investments	(322,462)	23,036
Realized gain on sale of investments	(202,699)	(104,674)
Donations of stock	(110,871)	(110,607)
Change in value of annuities	(12,626)	(7,050)
Changes in operating assets and liabilities:		
Accounts receivable	(50,878)	71,693
Other assets	525	12,900
Accounts payable and accrued expenses	97,122	146,868
Deferred support	<u>(572,232)</u>	<u>572,232</u>
Total adjustments	<u>(612,370)</u>	<u>686,557</u>
Net cash provided by operating activities	<u>2,327,830</u>	<u>2,511,649</u>
Cash flows from investing activities:		
Purchases of property and equipment	(592,574)	(658,997)
Proceeds from sale of assets	21,725	209,022
Purchases of radio frequency licenses	(4,124)	-
Collections on note receivable	292,500	-
Proceeds from sale of investments	580,362	844,573
Purchases of investments	<u>(447,216)</u>	<u>(536,398)</u>
Net cash used in investing activities	<u>(149,327)</u>	<u>(141,800)</u>
Cash flows from financing activities:		
Payments on annuity obligations	<u>(24,000)</u>	<u>(24,000)</u>
Net cash used in investing activities	<u>(24,000)</u>	<u>(24,000)</u>
Net increase in cash and cash equivalents	2,154,503	2,345,849
Cash and cash equivalents, beginning	<u>8,347,824</u>	<u>6,001,975</u>
Cash and cash equivalents, ending	<u>\$ 10,502,327</u>	<u>\$ 8,347,824</u>

See notes to consolidated financial statements.

**FAMILY LIFE COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2021 AND 2020**

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.

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.

**FAMILY LIFE COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2021 AND 2020**

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

Adoption of new accounting standard:

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” Topic 606 and all related Accounting Standards Updates supersedes previous revenue recognition requirements and establishes a core principle requiring the recognition of revenue to depict the transfer of promised goods or services to customers (i.e. resource providers) in an amount reflecting the consideration to which the entity expects to be entitled in exchange for such goods or services. The new rule requires an entity to (1) identify the contract, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations, and (5) recognize revenue based on a point in time or over time.

Effective July 1, 2020, the Organization adopted Topic 606 utilizing the full retrospective method. Under the full retrospective method, the standard was applied to each prior reporting period presented. In implementing Topic 606, the Organization was required to recalculate the revenue earned on any exchange transactions that were in process at the implementation date and to restate the revenue and related expenses as if Topic 606 had been followed from the inception of the contract. The Organization’s revenue recognition practices for contracts with resource providers under Topic 606 do not differ significantly from prior practices. Since no material differences were calculated, no retrospective analysis of account balance changes was required.

Recognition of contributions:

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, 2021 AND 2020**

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

Broadcast revenue:

Broadcast revenue is recognized at a point in time, when the services have been provided.

Cash and cash equivalents:

All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

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.

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.

Impairment of long-lived assets:

The Organization reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows over the remaining useful life of the long-lived assets is less than the carrying amount, the asset is considered impaired. Impairment losses would be measured as the amount by which the carrying amount exceeds the fair value of the asset. There was no impairment of long-lived assets recognized for 2021.

**FAMILY LIFE COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2021 AND 2020**

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

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, 2021 and 2020, where no impairment was noted on the frequency licenses. Accumulated amortization and impairments of radio frequency licenses was \$1,059,076 at June 30, 2021 and 2020.

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 collectibility 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.

**FAMILY LIFE COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2021 AND 2020**

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.

Advertising:

Advertising costs are expensed as incurred and totaled \$68,033 and \$90,759 for the years ended June 30, 2021 and 2020.

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.

From time to time, the Organization may be subject to penalties 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)**

**YEARS ENDED JUNE 30, 2021 AND 2020**

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, 2021 through November 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.

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.

	2021	2020
Cash and cash equivalents	\$ 10,502,327	\$ 8,347,824
Investments	2,237,786	1,734,900
Accounts receivable, net	52,814	1,936
Note receivable	292,500	585,000
Total financial assets	13,085,427	10,669,660
Note receivable scheduled to be collected in more than one year	(292,500)	(438,750)
Donor restricted for specific purpose	(3,401)	(3,401)
Internal designations:		
Special projects	(730,864)	(552,590)
Financial assets available to meet cash needs for general expenditures within one year	\$ 12,058,662	\$ 9,674,919

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.

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 to be paid 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, 2021 AND 2020**

3. Note receivable (continued):

Future maturities of the note receivable are as follows:

Year ending <u>June 30,</u>		
2022	\$	-
2023		146,250
2024		<u>146,250</u>
	<u>\$</u>	<u>292,500</u>

4. Investments:

Investments at June 30, 2021 and 2020 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).

	2021	2020
Equity securities	\$ 950,377	\$ 751,351
Mutual funds	1,224,524	875,851
Bonds	62,885	94,171
Exchange traded funds	<u>-</u>	<u>13,527</u>
	<u>\$ 2,237,786</u>	<u>\$ 1,734,900</u>

Net investment income for the years ended June 30, 2021 and 2020 consists of the following:

	2021	2020
Interest and dividend income	\$ 44,909	\$ 72,025
Net realized and unrealized gains on investments	525,161	81,638
Investment fees	<u>(18,166)</u>	<u>(18,613)</u>
	<u>\$ 551,904</u>	<u>\$ 135,050</u>

**FAMILY LIFE COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2021 AND 2020**

5. Property and equipment:

	2021	2020
Broadcasting equipment	\$ 8,596,336	\$ 8,273,620
Building and improvements	2,921,801	2,878,604
Furniture, equipment, and software	1,365,070	1,322,799
Land and improvement	1,323,653	1,326,648
Leasehold improvements	31,508	25,103
Construction in progress	165,794	-
	14,404,162	13,826,774
Less accumulated depreciation and amortization	10,866,620	10,298,330
	\$ 3,537,542	\$ 3,528,444

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 \$25,000 and \$56,000 at June 30, 2021 and 2020.

Amounts payable under other charitable gift annuity agreements were approximately \$175,000 and \$180,000 at June 30, 2021 and 2020.

7. Paycheck Protection Program (PPP) loan:

The Organization obtained a \$860,905 loan from BBVA USA under the Paycheck Protection Program (PPP) in April 2020. Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. The Organization applied for forgiveness with the lender in April 2021 and received forgiveness of \$860,905 in principal and \$9,350 in interest from the Small Business Administration (SBA) in May 2021.

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. For the years ended June 30, 2021 and 2020, the Organization recorded \$458,905 and \$402,000 as support based on the assessment of conditions that have been substantially met.

**FAMILY LIFE COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2021 AND 2020**

8. Management designated reserves:

Net assets with donor restrictions are primarily available for project specific capital expenditures. Additionally, as of June 30, 2021 and June 30, 2020, management has designated approximately \$731,000 and \$553,000 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>2021</u>	<u>2020</u>
JAPP	\$ 2,500	\$ 2,500
Muslim Outreach	<u>901</u>	<u>901</u>
	<u>\$ 3,401</u>	<u>\$ 3,401</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. 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 \$193,000 and \$162,000 for the years ending June 30, 2021 and 2020.

11. Commitments:

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 \$553,000 and \$567,000 for the years ending June 30, 2021 and 2020.

**FAMILY LIFE COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2021 AND 2020**

11. Commitments (continued):

Lease commitments (continued):

At June 30, 2021, 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>	
2022	\$ 408,354
2023	329,196
2024	229,102
2025	138,701
2026	97,146
Thereafter	<u>797,324</u>
	<u>\$ 1,999,823</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 \$137,000 and \$150,000 for the years ending June 30, 2021 and 2020.

At June 30, 2021, 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>	
2022	\$ 95,306
2023	49,601
2024	41,800
2025	17,368
2026	4,788
Thereafter	<u>17,157</u>
	<u>\$ 226,020</u>

12. Reclassifications:

Certain amounts in the 2020 consolidated financial statements have been reclassified to conform with the 2021 consolidated financial statement presentation. These reclassifications had no effect on total net assets at June 30, 2020 or the change in net assets for the year then ended.

**FAMILY LIFE COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED JUNE 30, 2021 AND 2020**

13. Pending pronouncement:

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 this standard will have on the consolidated financial statements.

**FAMILY LIFE COMMUNICATIONS, INC.**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2021**

	<b>ASSETS</b>			
	<u>Family Life Broadcasting</u>	<u>Parent Talk, Inc.</u>	<u>Eliminating entries</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 10,444,213	\$ 58,114	\$ -	\$ 10,502,327
Investments	1,647,698	590,088	-	2,237,786
Accounts receivable, net	<u>52,814</u>	<u>-</u>	<u>-</u>	<u>52,814</u>
Total current assets	12,144,725	648,202	-	12,792,927
Note receivable	292,500	-	-	292,500
Property and equipment, net	3,535,708	1,834	-	3,537,542
Radio station frequency licenses, net	4,199,903	-	-	4,199,903
Intercompany receivable	-	106,007	(106,007)	-
Other assets	<u>20,714</u>	<u>-</u>	<u>-</u>	<u>20,714</u>
Total assets	<u>\$ 20,193,550</u>	<u>\$ 756,043</u>	<u>\$ (106,007)</u>	<u>\$ 20,843,586</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:				
Current portion of annuity obligations	\$ 24,877	\$ -	\$ -	\$ 24,877
Accounts payable and accrued expenses	<u>483,513</u>	<u>7,131</u>	<u>-</u>	<u>490,644</u>
Total current liabilities	508,390	7,131	-	515,521
Annuity obligations, net of current portion	175,202	-	-	175,202
Intercompany payable	<u>106,007</u>	<u>-</u>	<u>(106,007)</u>	<u>-</u>
Total liabilities	<u>789,599</u>	<u>7,131</u>	<u>(106,007)</u>	<u>690,723</u>
Commitments and contingencies				
Net assets:				
Without donor restrictions:				
Undesignated	15,864,842	747,078	-	16,611,920
Invested in property and equipment	<u>3,535,708</u>	<u>1,834</u>	<u>-</u>	<u>3,537,542</u>
Total net assets without donor restrictions	19,400,550	748,912	-	20,149,462
With donor restrictions	<u>3,401</u>	<u>-</u>	<u>-</u>	<u>3,401</u>
Total net assets	<u>19,403,951</u>	<u>748,912</u>	<u>-</u>	<u>20,152,863</u>
Total liabilities and net assets	<u>\$ 20,193,550</u>	<u>\$ 756,043</u>	<u>\$ (106,007)</u>	<u>\$ 20,843,586</u>

**FAMILY LIFE COMMUNICATIONS, INC.**

**CONSOLIDATING STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2021**

	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	\$ 8,820,519	\$ 757,730	\$ 962,316	\$ 64,985	\$10,605,550
Grant income	458,905	-	-	-	458,905
Resource sales and seminar income	-	-	3,793	-	3,793
Broadcasting revenue	441,097	-	-	-	441,097
Income from bequests and annuities	227,322	-	-	-	227,322
Investment income, net	406,341	-	145,563	-	551,904
Rental and other income	136,859	-	-	-	136,859
Gain on sale of assets	11,747	-	-	-	11,747
Net assets released from restriction	<u>757,730</u>	<u>(757,730)</u>	<u>64,985</u>	<u>(64,985)</u>	<u>-</u>
Total revenues, support and gains	<u>11,260,520</u>	<u>-</u>	<u>1,176,657</u>	<u>-</u>	<u>12,437,177</u>
Expenses:					
Program services	7,523,284	-	777,076	-	8,300,360
General and administrative	456,217	-	47,122	-	503,339
Fundraising	<u>628,374</u>	<u>-</u>	<u>64,904</u>	<u>-</u>	<u>693,278</u>
Total expenses	<u>8,607,875</u>	<u>-</u>	<u>889,102</u>	<u>-</u>	<u>9,496,977</u>
Change in net assets	2,652,645	-	287,555	-	2,940,200
Net assets, beginning	<u>16,747,905</u>	<u>3,401</u>	<u>461,357</u>	<u>-</u>	<u>17,212,663</u>
Net assets, ending	<u>\$19,400,550</u>	<u>\$ 3,401</u>	<u>\$ 748,912</u>	<u>\$ -</u>	<u>\$20,152,863</u>