

**FAMILY LIFE COMMUNICATIONS, INC.**

**YEARS ENDED JUNE 30, 2022 AND 2021**

**FAMILY LIFE COMMUNICATIONS, INC.**

**YEARS ENDED JUNE 30, 2022 AND 2021**

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## Independent Auditors' Report

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

### **Opinion**

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, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Family Life Communications, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Family Life Communications, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Life Communications, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Family Life Communications, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Life Communications, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## 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 through 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 entities, 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.

*BeachFleischman PLLC*

Tucson, Arizona  
February 16, 2022

**FAMILY LIFE COMMUNICATIONS, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2022 AND 2021**

<b>ASSETS</b>		<b>2022</b>	<b>2021</b>
<b>Current assets:</b>			
Cash and cash equivalents		\$ 12,634,357	\$ 10,502,327
Investments		1,934,333	2,237,786
Accounts receivable, net		65,012	52,814
Current portion of note receivable		146,250	-
Total current assets		14,779,952	12,792,927
Note receivable, net of current portion		146,250	292,500
Property and equipment, net		3,512,113	3,537,542
Radio station frequency licenses, net		4,199,903	4,199,903
Other assets		42,650	20,714
Total assets		\$ 22,680,868	\$ 20,843,586
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Current portion of annuity obligations		\$ 18,000	\$ 24,877
Accounts payable and accrued expenses		660,161	490,644
Total current liabilities		678,161	515,521
Annuity obligations, net of current portion		139,033	175,202
Total liabilities		817,194	690,723
<b>Commitments</b>			
<b>Net assets:</b>			
<b>Without donor restrictions:</b>			
Undesignated		14,148,257	12,412,017
Invested in property and equipment		3,512,113	3,537,542
Invested in radio station frequency licenses		4,199,903	4,199,903
Total net assets without donor restrictions		21,860,273	20,149,462
With donor restrictions		3,401	3,401
Total net assets		21,863,674	20,152,863
Total liabilities and net assets		\$ 22,680,868	\$ 20,843,586

See notes to consolidated financial statements.

**FAMILY LIFE COMMUNICATIONS, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues, support and gains:			
General contributions	\$ 9,882,692	\$ 810,553	\$ 10,693,245
Broadcasting revenue	408,095	-	408,095
Bequest contributions	375,613	-	375,613
Resource sales and seminar income	63,571	-	63,571
Investment loss, net	(230,456)	-	(230,456)
Rental and other income	138,002	-	138,002
Gain on sale of assets	313,042	-	313,042
Net assets released from restriction	<u>810,553</u>	<u>(810,553)</u>	<u>-</u>
Total revenues, support and gains	<u>11,761,112</u>	<u>-</u>	<u>11,761,112</u>
Expenses:			
Program services	8,036,611	-	8,036,611
General and administrative	1,107,728	-	1,107,728
Fundraising	<u>905,962</u>	<u>-</u>	<u>905,962</u>
Total expenses	<u>10,050,301</u>	<u>-</u>	<u>10,050,301</u>
Change in net assets	1,710,811	-	1,710,811
Net assets, beginning	<u>20,149,462</u>	<u>3,401</u>	<u>20,152,863</u>
Net assets, ending	<u>\$ 21,860,273</u>	<u>\$ 3,401</u>	<u>\$ 21,863,674</u>

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
Broadcasting revenue	441,097	-	441,097
Bequest contributions	227,322	-	227,322
Resource sales and seminar income	3,793	-	3,793
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 FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2022**

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total expenses</u>
Payroll	\$ 3,430,121	\$ 762,452	\$ 228,028	\$ 4,420,601
Payroll related taxes and benefits	<u>826,523</u>	<u>183,945</u>	<u>54,964</u>	<u>1,065,432</u>
	4,256,644	946,397	282,992	5,486,033
Administration, not elsewhere classified	47,529	10,610	3,163	61,302
Bank and processing fees	216,189	-	-	216,189
Computer software and support	339,945	23,867	4,557	368,369
Depreciation and amortization	543,693	4,993	-	548,686
Insurance	162,116	11,926	-	174,042
Interest	2,704	-	-	2,704
Internet and transmission charges	112,158	13,664	-	125,822
Outside and contract services	285,528	4,397	206,540	496,465
Postage	78,541	178	79,259	157,978
Printing	86,189	-	115,769	201,958
Professional fees	95,267	42,875	137,886	276,028
Programming	175,876	-	-	175,876
Promotions	212,957	-	38,609	251,566
Rent, building and repairs	649,326	6,430	11,745	667,501
Taxes, licenses and fees	76,291	2,594	-	78,885
Telephone	50,096	10,807	6,110	67,013
Travel	245,281	7,035	7,093	259,409
Utilities	<u>400,281</u>	<u>21,955</u>	<u>12,239</u>	<u>434,475</u>
	<u>\$ 8,036,611</u>	<u>\$ 1,107,728</u>	<u>\$ 905,962</u>	<u>\$ 10,050,301</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 STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,710,811	\$ 2,940,200
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	548,686	573,498
Gain on sale of assets	(313,042)	(11,747)
Unrealized (gain) loss on investments	453,175	(322,462)
Realized gain on sale of investments	(110,418)	(202,699)
Change in value of annuities	(19,046)	(12,626)
Changes in operating assets and liabilities:		
Accounts receivable	(12,198)	(50,878)
Other assets	(21,936)	525
Accounts payable and accrued expenses	169,517	97,122
Deferred support	-	(572,232)
Total adjustments	<u>694,738</u>	<u>(501,499)</u>
Net cash provided by operating activities	<u>2,405,549</u>	<u>2,438,701</u>
Cash flows from investing activities:		
Purchases of property and equipment	(730,899)	(592,574)
Proceeds from sale of assets	520,684	21,725
Purchases of radio frequency licenses	-	(4,124)
Collections on note receivable	-	292,500
Proceeds from sale of investments	530,468	469,491
Purchases of investments	<u>(569,772)</u>	<u>(447,216)</u>
Net cash used in investing activities	<u>(249,519)</u>	<u>(260,198)</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	2,132,030	2,154,503
Cash and cash equivalents, beginning	<u>10,502,327</u>	<u>8,347,824</u>
Cash and cash equivalents, ending	<u>\$ 12,634,357</u>	<u>\$ 10,502,327</u>

See notes to consolidated financial statements.

## FAMILY LIFE COMMUNICATIONS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### YEARS ENDED JUNE 30, 2022 AND 2021

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. The Company's viability is dependent upon the strength of the national and local economies, and its resource providers.

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 and assumptions, 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, 2022 AND 2021**

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

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.

Broadcast revenue:

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

Resource sales and seminar income:

Resource sales and seminar income are recognized at a point in time, when the goods or 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. At July 1, 2020, the balance of accounts receivable was \$1,936.

**FAMILY LIFE COMMUNICATIONS, INC.**

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

**YEARS ENDED JUNE 30, 2022 AND 2021**

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

Accounts receivable (continued):

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 2022 and 2021.

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, 2022 and 2021, where no impairment was noted on the frequency licenses. Accumulated amortization and impairments of radio frequency licenses was \$1,059,076 at June 30, 2022 and 2021.

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.

**FAMILY LIFE COMMUNICATIONS, INC.**

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

**YEARS ENDED JUNE 30, 2022 AND 2021**

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

Financing receivables (continued):

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.

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, 2022 AND 2021**

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 \$84,393 and \$68,033 for the years ended June 30, 2022 and 2021.

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 include salaries, payroll taxes and benefits, building repairs and maintenance, telephone, and utilities. Salaries, payroll taxes and benefits are allocated based on employee time and effort. Building repairs and maintenance, telephone and utilities are allocated based on square footage.

Tax exempt status:

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.

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to June 30, 2022 through February 16, 2022, 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, 2022 AND 2021**

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.

	2022	2021
Cash and cash equivalents	\$ 12,634,357	\$ 10,502,327
Investments	1,934,333	2,237,786
Accounts receivable, net	65,012	52,814
Note receivable	292,500	292,500
Total financial assets	14,926,202	13,085,427
Note receivable scheduled to be collected in more than one year	(146,250)	(292,500)
Donor restricted for specific purpose	(3,401)	(3,401)
Internal designations:		
Special projects	(901,021)	(730,864)
Financial assets available to meet cash needs for general expenditures within one year	\$ 13,875,530	\$ 12,058,662

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 2024. The note is secured by the assets sold and is guaranteed by an individual.

Future maturities of the note receivable are as follows:

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

**FAMILY LIFE COMMUNICATIONS, INC.**

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

**YEARS ENDED JUNE 30, 2022 AND 2021**

4. Investments:

Investments at June 30, 2022 and 2021 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).

	2022	2021
Equity securities	\$ 872,343	\$ 950,377
Mutual funds	1,031,446	1,224,524
Bonds	30,544	62,885
	<b>\$ 1,934,333</b>	<b>\$ 2,237,786</b>

Net investment income (loss) for the years ended June 30, 2022 and 2021 consists of the following:

	2022	2021
Interest and dividend income	\$ 136,962	\$ 44,909
Net realized and unrealized gains (losses) on investments	(342,757)	525,161
Investment fees	(24,661)	(18,166)
	<b>\$ (230,456)</b>	<b>\$ 551,904</b>

5. Property and equipment:

	2022	2021
Broadcasting equipment	\$ 8,619,908	\$ 8,596,336
Building and improvements	2,490,145	2,921,801
Furniture, equipment, and software	1,407,433	1,365,070
Land and improvement	1,316,467	1,323,653
Leasehold improvements	23,308	31,508
Construction in progress	119,815	165,794
	13,977,076	14,404,162
Less accumulated depreciation and amortization	10,464,963	10,866,620
	<b>\$ 3,512,113</b>	<b>\$ 3,537,542</b>

**FAMILY LIFE COMMUNICATIONS, INC.**

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

**YEARS ENDED JUNE 30, 2022 AND 2021**

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 at June 30, 2021. At June 30, 2022 there was no liability based on the initial life expectancy of 18 years. However, monthly payments will continue to be paid to annuitant or annuitant's beneficiary until their death.

Amounts payable under other charitable gift annuity agreements were approximately \$157,000 and \$175,000 at June 30, 2022 and 2021.

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 year ended June 30, 2021, the Organization recorded \$458,905 as support based on the assessment of conditions that have been substantially met.

The SBA may undertake a review of a loan of any size during the ten-year period following forgiveness or repayment of the loan. The review may include the loan forgiveness application, eligibility for the program, as well as whether the Organization received the proper loan amount. The timing and outcome of any SBA review is not known.

8. Management designated reserves:

Net assets with donor restrictions are primarily available for project specific capital expenditures. Additionally, as of June 30, 2022 and 2021, management has designated approximately \$901,000 and \$731,000 of net assets without donor restriction for various projects, which are primarily facilities and program related.

**FAMILY LIFE COMMUNICATIONS, INC.**

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

**YEARS ENDED JUNE 30, 2022 AND 2021**

9. Net assets with donor restrictions:

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

	2022	2021
J Software Apps	\$ 2,500	\$ 2,500
Muslim Outreach	901	901
	\$ 3,401	\$ 3,401

10. Retirement plan:

The Organization has a defined contribution plan. All employees who meet minimum age and service requirements are eligible to participate in the plan. Eligible employees may contribute to the plan not to exceed statutory limits. The Organization matches 100% of employee contributions up to 4% of their compensation. The Organization's contributions to the plan were approximately \$213,000 and \$193,000 for the years ending June 30, 2022 and 2021.

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 \$589,000 and \$553,000 for the years ending June 30, 2022 and 2021.

At June 30, 2022, 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>		
2023	\$	388,770
2024		286,420
2025		178,445
2026		137,886
2027		119,754
Thereafter		736,569
	\$	1,847,844

**FAMILY LIFE COMMUNICATIONS, INC.**

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

**YEARS ENDED JUNE 30, 2022 AND 2021**

11. Commitments (continued):

Lease commitments (continued):

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 \$138,000 and \$137,000 for the years ending June 30, 2022 and 2021.

At June 30, 2022, 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>	
2023	\$ 53,369
2024	45,685
2025	21,362
2026	8,902
2027	8,660
Thereafter	<u>12,369</u>
	<u>\$ 150,347</u>

12. Reclassifications:

Certain amounts in the 2021 consolidated financial statements have been reclassified to conform with the 2022 consolidated financial statement presentation. These reclassifications had no effect on total net assets at June 30, 2021 or the change in net assets for the year then ended.

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, 2022**

	<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	\$ 12,603,688	\$ 30,669	\$ -	\$ 12,634,357
Investments	1,366,250	568,083	-	1,934,333
Accounts receivable, net	65,012	-	-	65,012
Current portion of note receivable	<u>146,250</u>	<u>-</u>	<u>-</u>	<u>146,250</u>
Total current assets	14,181,200	598,752	-	14,779,952
Note receivable, net of current portion	146,250	-	-	146,250
Property and equipment, net	3,511,879	234	-	3,512,113
Radio station frequency licenses, net	4,199,903	-	-	4,199,903
Intercompany receivable	-	341,352	(341,352)	-
Other assets	<u>20,214</u>	<u>22,436</u>	<u>-</u>	<u>42,650</u>
Total assets	<u>\$ 22,059,446</u>	<u>\$ 962,774</u>	<u>\$ (341,352)</u>	<u>\$ 22,680,868</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:				
Current portion of annuity obligations	\$ 18,000	\$ -	\$ -	\$ 18,000
Accounts payable and accrued expenses	<u>653,862</u>	<u>6,299</u>	<u>-</u>	<u>660,161</u>
Total current liabilities	671,862	6,299	-	678,161
Annuity obligations, net of current portion	139,033	-	-	139,033
Intercompany payable	<u>341,352</u>	<u>-</u>	<u>(341,352)</u>	<u>-</u>
Total liabilities	<u>1,152,247</u>	<u>6,299</u>	<u>(341,352)</u>	<u>817,194</u>
Commitments				
Net assets:				
Without donor restrictions:				
Undesignated	13,192,016	956,241	-	14,148,257
Invested in property and equipment	3,511,879	234	-	3,512,113
Invested in radio station frequency licenses	<u>4,199,903</u>	<u>-</u>	<u>-</u>	<u>4,199,903</u>
Total net assets without donor restrictions	20,903,798	956,475	-	21,860,273
With donor restrictions	<u>3,401</u>	<u>-</u>	<u>-</u>	<u>3,401</u>
Total net assets	<u>20,907,199</u>	<u>956,475</u>	<u>-</u>	<u>21,863,674</u>
Total liabilities and net assets	<u>\$ 22,059,446</u>	<u>\$ 962,774</u>	<u>\$ (341,352)</u>	<u>\$ 22,680,868</u>

**FAMILY LIFE COMMUNICATIONS, INC.**

**CONSOLIDATING STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2022**

	<u>Family Life Broadcasting</u>		<u>Parent Talk, Inc.</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues, support and gains:					
General contributions	\$ 9,015,250	\$ 743,770	\$ 867,442	\$ 66,783	\$10,693,245
Broadcasting revenue	408,095	-	-	-	408,095
Bequest contributions	375,613	-	-	-	375,613
Resource sales and seminar income	-	-	63,571	-	63,571
Investment loss, net	(216,380)	-	(14,076)	-	(230,456)
Rental and other income	138,002	-	-	-	138,002
Gain on sale of assets	313,042	-	-	-	313,042
Net assets released from restriction	<u>743,770</u>	<u>(743,770)</u>	<u>66,783</u>	<u>(66,783)</u>	<u>-</u>
Total revenues, support and gains	<u>10,777,392</u>	<u>-</u>	<u>983,720</u>	<u>-</u>	<u>11,761,112</u>
Expenses:					
Program services	7,372,456	-	664,155	-	8,036,611
General and administrative	1,055,156	-	52,572	-	1,107,728
Fundraising	<u>846,532</u>	<u>-</u>	<u>59,430</u>	<u>-</u>	<u>905,962</u>
Total expenses	<u>9,274,144</u>	<u>-</u>	<u>776,157</u>	<u>-</u>	<u>10,050,301</u>
Change in net assets	1,503,248	-	207,563	-	1,710,811
Net assets, beginning	<u>19,400,550</u>	<u>3,401</u>	<u>748,912</u>	<u>-</u>	<u>20,152,863</u>
Net assets, ending	<u>\$20,903,798</u>	<u>\$ 3,401</u>	<u>\$ 956,475</u>	<u>\$ -</u>	<u>\$21,863,674</u>