

FAMILY LIFE

COMMUNICATIONS
INCORPORATED

Consolidated Financial Statements and Other Financial Information

December 31, 2016 and 2015



Family Life Communications Incorporated

Consolidated Financial Statements And Other Financial Information

Years ended December 31, 2016 and 2015

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REPORT OF INDEPENDENT AUDITORS

Board of Directors

Family Life Communications Incorporated

We have audited the accompanying consolidated financial statements of Family Life Communications Incorporated and affiliates (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based upon our audits. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including 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 controls relevant to the entity'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 of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Family Life Communications Incorporated and affiliates at December 31, 2016 and 2015, and the consolidated changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ May Clark & Company, PLLC

Tucson, Arizona
June 20, 2017

Family Life Communications Incorporated
Consolidated Statements of Financial Position

	December 31,	
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,024,316	\$ 5,881,791
Total current assets	6,024,316	5,881,791
Property and equipment:		
Land and improvements	1,330,009	1,330,009
Buildings	3,024,934	2,893,965
Broadcasting equipment	9,941,872	9,565,733
Furniture, equipment and software	1,241,636	1,189,120
Leasehold improvements	39,051	39,051
	15,577,502	15,017,878
Less accumulated depreciation and amortization	(11,659,042)	(11,036,284)
	3,918,460	3,981,594
Radio station frequency licenses, less accumulated amortization and impairments of \$1,782,265	4,101,922	4,104,002
Long-term investments (Note 2)	1,750,961	1,708,876
Bond issue costs, net of amortization	22,141	37,218
Other	21,872	21,872
	\$ 15,839,672	\$ 15,735,353
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 440,091	\$ 344,707
Current portion of term debt (Note 4)	200,272	163,174
Total current liabilities	640,363	507,881
Term debt, less current portion (Note 4)	1,260,822	1,687,662
Annuities payable and other	435,042	459,042
Total liabilities	2,336,227	2,654,585
Net assets:		
Unrestricted	13,498,523	13,075,846
Temporarily restricted	4,922	4,922
	13,503,445	13,080,768
	\$ 15,839,672	\$ 15,735,353

See accompanying notes.

Family Life Communications Incorporated
Consolidated Statements of Activities

	Year ended December 31, 2016			Year ended December 31, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support						
General contributions	\$ 7,966,128	\$ -	\$ 7,966,128	\$ 8,025,316	\$ -	\$ 8,025,316
Resource sales and seminar income	60,714	-	60,714	104,790	-	104,790
Contributions for specified projects	-	629,982	629,982	-	496,325	496,325
Donations for broadcasting time	504,522	-	504,522	575,592	-	575,592
Income from bequests and annuities	218,525	-	218,525	155,281	-	155,281
Investment income	11,231	-	11,231	12,530	-	12,530
Rental and other income	91,086	-	91,086	98,268	-	98,268
Net assets released from restrictions:						
Satisfaction of specified project restrictions	629,982	(629,982)	-	502,949	(502,949)	-
Total revenues and other support	9,482,188	-	9,482,188	9,474,726	(6,624)	9,468,102
Expenses						
Program services	7,730,217	-	7,730,217	8,196,879	-	8,196,879
General and administrative	444,099	-	444,099	494,564	-	494,564
Fund raising	688,986	-	688,986	701,975	-	701,975
Total expenses	8,863,302	-	8,863,302	9,393,418	-	9,393,418
Gain (loss) on sale or valuation of assets	(309,158)	-	(309,158)	26,760	-	26,760
Gain (loss) on investments	112,949	-	112,949	(8,519)	-	(8,519)
Change in net assets	422,677	-	422,677	99,549	(6,624)	92,925
Net assets at beginning of year	13,075,846	4,922	13,080,768	12,976,297	11,546	12,987,843
Net assets at end of year	\$ 13,498,523	\$ 4,922	\$ 13,503,445	\$ 13,075,846	\$ 4,922	\$ 13,080,768

See accompanying notes.

Family Life Communications Incorporated
Consolidated Statement of Functional Expenses
Year ended December 31, 2016

	Program Services	General and Administrative	Fund Raising	Total	2015
Payroll, salaried and hourly	\$ 2,981,282	\$ 171,182	\$ 268,931	\$ 3,421,395	\$ 3,621,021
Payroll related taxes and benefits	944,546	54,236	85,155	1,083,937	1,081,709
Administration, not elsewhere classified	44,394	2,550	4,000	50,944	75,133
Bank and processing fees	135,976	7,816	11,972	155,764	168,307
Computer software/support	58,840	3,377	5,337	67,554	49,788
Depreciation and amortization	546,136	31,351	49,499	626,986	626,914
Insurance	140,938	8,092	12,743	161,773	167,154
Interest	85,471	4,907	7,752	98,130	117,429
Internet and transmission charges	284,811	16,355	25,658	326,824	278,023
Outside and contract services	362,948	20,860	32,033	415,841	411,264
Postage	185,281	10,652	16,261	212,194	309,118
Printing	227,013	13,044	20,159	260,216	293,059
Professional fees	52,377	3,011	4,610	59,998	54,961
Programming	167,768	9,651	14,528	191,947	325,513
Promotions	257,947	14,832	22,588	295,367	367,931
Rent, building and repairs	524,038	30,083	47,519	601,640	596,318
Taxes, licenses, and fees	147,510	8,469	13,301	169,280	189,829
Telephone	85,356	4,901	7,703	97,960	93,525
Travel	108,116	6,208	9,748	124,072	115,364
Utilities	384,529	22,074	34,877	441,480	451,058
Allocation from supporting departments	4,940	448	(5,388)	-	-
	<u>\$ 7,730,217</u>	<u>\$ 444,099</u>	<u>\$ 688,986</u>	<u>\$ 8,863,302</u>	<u>\$ 9,393,418</u>

See accompanying notes.

Family Life Communications Incorporated
Consolidated Statement of Functional Expenses
Year ended December 31, 2015

	Program Services	General and Administrative	Fund Raising	Total
Payroll, salaried and hourly	\$ 3,160,791	\$ 186,233	\$ 273,997	\$ 3,621,021
Payroll related taxes and benefits	944,199	55,743	81,767	1,081,709
Administration, not elsewhere classified	65,525	4,121	5,487	75,133
Bank and processing fees	146,839	8,986	12,482	168,307
Computer software/support	43,465	2,539	3,784	49,788
Depreciation and amortization	547,287	32,011	47,616	626,914
Insurance	145,916	8,565	12,673	167,154
Interest	102,516	5,988	8,925	117,429
Internet charges	242,692	14,276	21,055	278,023
Outside and contract services	358,872	21,675	30,717	411,264
Postage	269,678	16,554	22,886	309,118
Printing	255,640	15,816	21,603	293,059
Professional fees	47,945	2,956	4,060	54,961
Programming	283,615	19,015	22,883	325,513
Promotions	320,961	19,812	27,158	367,931
Rent, building and repairs	520,583	30,429	45,306	596,318
Taxes, licenses, and fees	165,704	9,755	14,370	189,829
Telephone	81,634	4,826	7,065	93,525
Travel	100,665	6,092	8,607	115,364
Utilities	393,774	23,004	34,280	451,058
Allocation from supporting departments	(1,422)	6,168	(4,746)	-
	<u>\$ 8,196,879</u>	<u>\$ 494,564</u>	<u>\$ 701,975</u>	<u>\$ 9,393,418</u>

See accompanying notes.

Family Life Communications Incorporated
Consolidated Statements of Cash Flows

	Years ended December 31,	
	2016	2015
Operating Activities		
Change in net assets	\$ 422,677	\$ 92,925
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	611,909	611,837
Amortization of bond issue costs	15,077	15,077
Loss (Gain) on sale or valuation of assets	309,158	(26,760)
Changes in operating assets and liabilities:		
Accounts payable and accrued expenses	95,384	52,326
Net cash provided by operating activities	1,454,205	745,405
Investing Activities		
Increase in Long-term investments	(42,085)	79,052
Decrease (increase) in Other assets	-	(9,054)
Proceeds from insurance recovery/asset sale	91,214	44,610
Acquisition of property and equipment	(949,147)	(522,334)
Acquisition of radio station frequency licenses	2,080	(114,687)
Net cash provided by (used in) investing activities	(897,938)	(522,413)
Financing Activities		
Principal payments on notes and term debt	(389,742)	(666,815)
Annuity liabilities and other	(24,000)	(24,000)
Net cash provided by (used in) financing activities	(413,742)	(690,815)
Increase (decrease) in cash	142,525	(467,823)
Cash and cash equivalents at beginning of year	5,881,791	6,349,614
Cash and cash equivalents at end of year	\$ 6,024,316	\$ 5,881,791

See accompanying notes.

Family Life Communications Incorporated
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

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, resource material, and syndicated broadcast programs.

1. Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its affiliates, Family Life Broadcasting System and Parent Talk, Inc. All significant inter-company accounts and transactions have been eliminated in consolidation.

Support

The Company records contributions as support when donations are unconditionally given by a donor. Support is recorded in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Contributions are recorded as unrestricted support if no donor stipulations are placed on the use of the donated asset. Contributions are recorded as temporarily restricted support if they are received with donor stipulations that limit the use of 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 Company, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Contributions are recorded as permanently restricted support if the donor stipulates that the donated asset must be held in perpetuity. The Company had no permanently restricted net assets at December 31, 2016 and 2015.

The Company conducts annual drives, primarily in the spring, fall, and end of year, to raise funds in support of its ministries. The Company 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.

Long-Lived Assets

The Company is not aware of any events that have occurred that are indications of additional impairment of these assets in accordance with generally accepted accounting principles.

Family Life Communications Incorporated
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

1. Accounting Policies (continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment is stated at cost, if purchased or constructed, or at estimated fair value if donated. Depreciation and amortization is computed on the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Land improvements	25
Buildings	25
Broadcasting equipment	5 – 25
Furniture and equipment	3 – 15
Leasehold improvements	15

Radio Frequency Licenses

Through our 2009 fiscal year, the purchase costs or donated fair value of radio frequency licenses were amortized on the straight-line basis over a period of 25 years. However, in accordance with newly adopted generally accepted accounting principles, commencing with our fiscal year 2010 further amortization is suspended and the remaining unamortized license costs will be evaluated annually by management to determine if the residual cost of any frequency license exceeds its current fair value, requiring establishment of an impairment reserve.

Income Taxes

The Company and its affiliates, Family Life Broadcasting System and Parent Talk, Inc., have received recognition as tax-exempt organizations as described under Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state tax on income from related, exempt activities.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which in turn could impact the amounts reported and disclosed herein.

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.

Family Life Communications Incorporated
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

1. Accounting Policies (continued)

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 Company. Funds received in excess of the present values payable on annuity contracts are recorded as contributions in the year received.

Cash and Cash Equivalents

The cash accounts of the Company are held in accounts which are insured by the FDIC. Accounts held at the other institutions are insured up to \$500,000 by the Security Investor Protection Corporation with a limit of \$100,000 for cash. As a result, at December 31, 2016 there were no cash balances in excess of the insured amounts.

For purposes of the Statement of Cash Flows the Company considers treasury bills and all other highly liquid investments not considered long term to be cash equivalents.

Fair Value Measurements

Starting with the 2010 fiscal year, the Company measures its financial assets and liabilities and non-financial assets at their fair value, including measurements of impairment for Property and Equipment, and Radio Station Frequency Licenses. During 2016 management determined that the carrying value of one of its frequency licenses exceeded the fair value by \$400,000 and provided an impairment reserve and expense for that amount. The loss is netted in the statement of activities caption "gain (loss) on sale or valuation of assets".

2. Long-Term Investments

The long-term investments held by the Company at December 31, carried at fair value based upon quoted prices in active markets for identical assets (level 1), are as follows:

	<u>2016</u>	<u>2015</u>
Mutual funds	\$1,098,294	\$1,069,782
Equity securities	587,318	537,597
Money market funds	65,349	101,497
Total non-cash financial assets at fair value	<u>\$1,750,961</u>	<u>\$1,708,876</u>

Family Life Communications Incorporated
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

2. Long-Term Investments (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended:

	<u>2016</u>	<u>2015</u>
Investment income	\$ 11,231	\$ 12,530
Net realized and unrealized gains (losses)	112,949	(8,519)
Total investment return	<u>\$ 124,180</u>	<u>\$ 4,011</u>

3. Annuities Payable

Included in the line "Annuities payable and other" on the Statements of Financial Position are retirement reserves and annuities payable of \$459,000 and \$483,000 at December 31, 2016 and 2015, respectively.

During 2004, the Company 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 which is included in the line "Annuities payable and other" on the Statement of Financial Position was \$140,000 and \$164,000 at December 31, 2016 and 2015, respectively.

4. Notes Payable

Term Notes Payable:

	<u>2016</u>	<u>2015</u>
Note payable to the Industrial Development Authority of Pima County and assigned to Compass Mortgage Corporation, dated June 20, 2009 in the original amount of \$4,000,000, payable \$21,400 monthly, including 4.07% interest through June 20, 2018, when the unpaid principal balance is due, collateralized by the headquarters building.	\$ 1,461,094	\$ 1,850,836
Less current portion	<u>(200,272)</u>	<u>(183,669)</u>
	<u>\$ 1,260,822</u>	<u>\$ 1,666,167</u>

Family Life Communications Incorporated
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

4. Notes Payable (Continued)

The bank notes payable are part of a master credit agreement with a single bank. The master credit agreement contains various covenants and restrictions, including meeting certain financial ratios and limits on new borrowings. Equipment and other Company assets are pledged as collateral for the term notes payable. See Note 9 re subsequent pay down of this note.

Over the past few years management unilaterally paid down the IDA note payable by a total of \$1,470,000, reducing both cash and the principal balance by that amount. The monthly payment amount will remain the same with less payment allocated to interest and more to principal due to the pay down. The pay down will insure future compliance with certain note covenants.

Principal maturities on the notes payable at December 31, 2016 for the next five years and the aggregate are as follows:

2016	\$ 200,272
2017	208,694
2018	<u>1,052,128</u>
	<u>\$1,461,094</u>

Cash paid for interest for the years ended December 31, 2016 and 2015 totaled approximately \$98,000 and \$117,000, respectively.

5. Leases and Commitments

The Company leases various facilities and equipment under operating leases that expire at various dates through December 2032. Some of the leases contain renewal options. Rent expense incurred was approximately \$602,000 and \$596,000 for the years ending December 31, 2016 and 2015, respectively.

At December 31, 2016, future commitments under non-cancelable operating leases with initial or remaining terms of one year or more are as follows

2017	\$ 471,000
2018	361,000
2019	303,000
2020	205,000
2021	138,000
Thereafter	<u>474,000</u>
	<u>\$1,949,000</u>

The Company is also the lessor under various operating leases that expire at various dates through December 2018. Some of the leases contain renewal options. Rental income was approximately \$91,000 and \$97,000 for the years ending December 31, 2016 and 2015, respectively.

Family Life Communications Incorporated
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

5. Leases and Commitments (continued)

At December 31, 2016, future rental income under non-cancelable operating leases with initial or remaining terms of one year or more are as follows

2017	\$ 64,000
2018	32,000
2019	<u>14,000</u>
	<u>\$ 110,000</u>

6. Employee Retirement Plan

The Company sponsors a defined contribution plan. Contributions to the plan by the Company 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 Company's contributions to the Plan were approximately \$131,000 and \$134,000 for the years ending December 31, 2016 and 2015, respectively. The Company separates its employees into two classes for purposes of making retirement plan contributions. One of the classes receives a contribution rate up to 4% of eligible compensation. The other class received a contribution rate up to 8% of eligible compensation.

7. Restrictions on Net Assets

Temporarily restricted net assets are primarily available for capital expenditures.

8. Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses (SOFE). Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management has performed in-depth analyses to determine the allocation of total functional expense. The line items contained in the SOFE have been allocated based on the percent of total functional expense and do not necessarily reflect the functional allocation of each line item on a stand alone basis. The allocations of these costs in future periods could change and the change could be material.

9. Subsequent Events

Management has reviewed the transactions through May 15, 2017 and determined that no transactions were sufficiently material to warrant disclosure, other than the following:

On January 31, 2017 the Company fully retired the \$1,446,612 then outstanding balance of the IDA note payable out of the cash reserves of the Company. Both the cash balance and the note payable were reduced by that amount.

Other Financial Information

**REPORT OF INDEPENDENT AUDITORS
ON OTHER FINANCIAL INFORMATION**

**Board of Directors
Family Life Communications Incorporated**

We have audited the consolidated financial statements of Family Life Communications Incorporated and affiliates as of and for the years December 31, 2016 and 2015 and we have issued our report thereon dated June 20, 2017, which contained an unmodified opinion on those financial statements.

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The details of the consolidating statements of financial position as of December 31, 2016 and 2015, and the related details of consolidating statements of activities, functional expenses, and cash flows for the years the ended are presented for purposes of additional analysis and are not a required part of the basic 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 financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the other financial information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

/s/ **May Clark & Company, PLLC**

Tucson, Arizona
June 20, 2017

Family Life Communications Incorporated
Details of Consolidated Statement of Financial Position
December 31, 2016

	Family Life Broadcasting	Parent Talk, Inc.	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 6,005,423	\$ 18,893	\$ -	\$ 6,024,316
Total current assets	6,005,423	18,893		6,024,316
Property and equipment:				
Land and improvements	1,330,009			1,330,009
Buildings	3,018,617	6,317		3,024,934
Broadcasting equipment	9,886,059	55,813		9,941,872
Furniture, equipment and software	1,210,208	31,428		1,241,636
Leasehold improvements	39,051			39,051
	15,483,944	93,558		15,577,502
Less accumulated depreciation and amortization	(11,569,195)	(89,847)		(11,659,042)
	3,914,749	3,711		3,918,460
Radio station frequency licenses, net	4,101,922			4,101,922
Long-term investments	1,430,115	320,846		1,750,961
Other assets:				
Intercompany receivable	571,723		(571,723)	-
Bond issue costs, net of amortization	22,141			22,141
Other	21,872			21,872
	\$ 16,067,945	\$ 343,450	\$ (571,723)	\$ 15,839,672
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 435,484	\$ 4,607		\$ 440,091
Current portion of term debt	200,272			200,272
Intercompany payable		571,723	(571,723)	-
Total current liabilities	635,756	576,330	(571,723)	640,363
Term debt, less current portion	1,260,822			1,260,822
Annuities payable and other	435,042			435,042
Total liabilities	2,331,620	576,330	(571,723)	2,336,227
Net assets:				
Unrestricted	13,731,403	(232,880)		13,498,523
Temporarily restricted	4,922			4,922
	13,736,325	(232,880)		13,503,445
	\$ 16,067,945	\$ 343,450	\$ (571,723)	\$ 15,839,672

See Independent Auditors' Report.

Family Life Communications Incorporated
Details of Consolidated Statement of Financial Position
December 31, 2015

	Family Life Broadcasting	Parent Talk, Inc.	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,862,898	\$ 18,893	\$ -	\$ 5,881,791
Total current assets	5,862,898	18,893		5,881,791
Property and equipment:				
Land and improvements	1,330,009			1,330,009
Buildings	2,887,648	6,317		2,893,965
Broadcasting equipment	9,509,920	55,813		9,565,733
Furniture, equipment and software	1,157,692	31,428		1,189,120
Leasehold improvements	39,051			39,051
	14,924,320	93,558		15,017,878
Less accumulated depreciation and amortization	(10,949,222)	(87,062)		(11,036,284)
	3,975,098	6,496		3,981,594
Radio station frequency licenses, net	4,104,002			4,104,002
Long-term investments	1,389,538	319,338		1,708,876
Other assets:				
Intercompany receivable	709,909		(709,909)	-
Bond issue costs, net of amortization	37,218			37,218
Other	21,872			21,872
	\$ 16,100,535	\$ 344,727	\$ (709,909)	\$ 15,735,353
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 341,109	\$ 3,598		\$ 344,707
Current portion of term debt	163,174			163,174
Intercompany payable		709,909	(709,909)	-
Total current liabilities	504,283	713,507	(709,909)	507,881
Term debt, less current portion	1,687,662			1,687,662
Annuities payable and other	459,042			459,042
Total liabilities	2,650,987	713,507	(709,909)	2,654,585
Net assets:				
Unrestricted	13,444,626	(368,780)		13,075,846
Temporarily restricted	4,922			4,922
	13,449,548	(368,780)		13,080,768
	\$ 16,100,535	\$ 344,727	\$ (709,909)	\$ 15,735,353

See Independent Auditors' Report.

Family Life Communications Incorporated
Details of Consolidated Statement of Activities
Year ended December 31, 2016

	Family Life Broadcasting		Parent Talk, Inc.		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
Revenues, and Other Support					
General contributions	\$ 7,025,045	\$ -	\$ 941,083	\$ -	\$ 7,966,128
Resource sales and seminar income	-		60,714		60,714
Contributions for specified projects		567,874		62,108	629,982
Donations for broadcasting time	504,522				504,522
Income from bequests and annuities	218,525		-		218,525
Investment income	6,221		5,010		11,231
Rental and other income	91,086				91,086
Net assets released from restrictions:					
Satisfaction of specified project restrictions	567,874	(567,874)	62,108	(62,108)	-
Total revenues, gains and other support	8,413,273	-	1,068,915	-	9,482,188
Expenses					
Program services	6,905,966		824,251		7,730,217
General and administrative	396,439		47,660		444,099
Fund raising	626,372		62,614		688,986
Total expenses	7,928,777		934,525		8,863,302
Gain (loss) on sale or valuation of assets	(309,158)		-		(309,158)
Gain (loss) on investments	111,439		1,510		112,949
Change in net assets	286,777	-	135,900	-	422,677
Net assets at beginning of year	13,444,626	4,922	(368,780)	-	13,080,768
Net assets at end of year	\$ 13,731,403	\$ 4,922	\$ (232,880)	\$ -	\$ 13,503,445

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Family Life Communications Incorporated
Details of Consolidated Statement of Activities
Year ended December 31, 2015

	Family Life Broadcasting		Parent Talk, Inc.		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
Revenues, and Other Support					
General contributions	\$ 6,968,812	\$ -	\$ 1,056,504	\$ -	\$ 8,025,316
Resource sales and seminar income	-		104,790		104,790
Contributions for specified projects		336,266		160,059	496,325
Donations for broadcasting time	575,592				575,592
Income from bequests and annuities	155,281		-		155,281
Investment income	8,354		4,176		12,530
Rental and other income	98,268				98,268
Net assets released from restrictions:					
Satisfaction of specified project restrictions	342,890	(342,890)	160,059	(160,059)	-
Total revenues, gains and other support	8,149,197	(6,624)	1,325,529	-	9,468,102
Expenses					
Program services	7,159,575		1,037,304		8,196,879
General and administrative	418,258		76,306		494,564
Fund raising	623,282		78,693		701,975
Total expenses	8,201,115		1,192,303		9,393,418
Forgiveness of inter-company debt	-		-		-
Gain on sale of Phoenix facility	-				-
Gain (loss) on sale of other assets	26,760		-		26,760
Gain (loss) on investments	(1,021)		(7,498)		(8,519)
Change in net assets	(26,179)	(6,624)	125,728	-	92,925
Net assets at beginning of year	13,470,805	11,546	(494,508)	-	12,987,843
Net assets at end of year	\$ 13,444,626	\$ 4,922	\$ (368,780)	\$ -	\$ 13,080,768

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Family Life Communications Incorporated
Details of Consolidated Statement of Functional Expenses
Year ended December 31, 2016

	<u>Family Life Broadcasting</u>			<u>Parent Talk, Inc.</u>			<u>Total</u>
	<u>Program Services</u>	<u>General and Adminis- trative</u>	<u>Fund Raising</u>	<u>Program Services</u>	<u>General and Adminis- trative</u>	<u>Fund Rasing</u>	
Payroll, salaried and hourly	\$ 2,881,299	\$ 165,402	\$ 261,335	\$ 99,983	\$ 5,780	\$ 7,596	\$ 3,421,395
Payroll related taxes and benefits	909,548	52,213	82,496	34,998	2,023	2,659	1,083,937
Administration, not elsewhere classified	42,649	2,449	3,867	1,745	101	133	50,944
Bank and processing fees	111,444	6,398	10,108	24,532	1,418	1,864	155,764
Computer software/support	58,840	3,377	5,337	-	-	-	67,554
Depreciation and amortization	543,667	31,209	49,311	2,469	142	188	626,986
Insurance	138,273	7,938	12,541	2,665	154	202	161,773
Interest	85,471	4,907	7,752	-	-	-	98,130
Internet and transmission charges	272,952	15,669	24,757	11,859	686	901	326,824
Outside and contract services	302,750	17,379	27,460	60,198	3,481	4,573	415,841
Postage	148,389	8,518	13,459	36,892	2,134	2,802	212,194
Printing	197,770	11,353	17,938	29,243	1,691	2,221	260,216
Professional fees	42,807	2,457	3,883	9,570	554	727	59,998
Programming	121,057	6,949	10,980	46,711	2,702	3,548	191,947
Promotions	203,110	11,660	18,422	54,837	3,172	4,166	295,367
Rent, building and repairs	523,322	30,042	47,465	716	41	54	601,640
Taxes, licenses, and fees	142,190	8,162	12,897	5,320	307	404	169,280
Telephone	82,733	4,749	7,504	2,623	152	199	97,960
Travel	104,206	5,982	9,451	3,910	226	297	124,072
Utilities	384,529	22,074	34,877	-	-	-	441,480
Allocation from supporting departments	(391,040)	(22,448)	(35,468)	395,980	22,896	30,080	-
	<u>\$ 6,905,966</u>	<u>\$ 396,439</u>	<u>\$ 626,372</u>	<u>\$ 824,251</u>	<u>\$ 47,660</u>	<u>\$ 62,614</u>	<u>\$ 8,863,302</u>

See Independent Auditors' Report.

Family Life Communications Incorporated
Details of Consolidated Statement of Functional Expenses
Year ended December 31, 2015

	Family Life Broadcasting						Total
	Program Services	General and Adminis- trative	Fund Raising	Program Services	General and Adminis- trative	Fund Rasing	
Payroll, salaried and hourly	\$ 3,056,294	\$ 178,547	\$ 266,069	\$ 104,497	\$ 7,686	\$ 7,928	\$ 3,621,021
Payroll related taxes and benefits	905,672	52,909	78,844	38,527	2,834	2,923	1,081,709
Administration, not elsewhere classified	46,203	2,700	4,021	19,322	1,421	1,466	75,133
Bank and processing fees	119,915	7,006	10,439	26,924	1,980	2,043	168,307
Computer software/support	43,465	2,539	3,784	-	-	-	49,788
Depreciation and amortization	544,764	31,825	47,425	2,523	186	191	626,914
Insurance	143,207	8,366	12,467	2,709	199	206	167,154
Interest	102,516	5,988	8,925	-	-	-	117,429
Internet and transmission charges	236,194	13,798	20,562	6,498	478	493	278,023
Outside and contract services	312,034	18,229	27,164	46,838	3,446	3,553	411,264
Postage	216,897	12,671	18,882	52,781	3,883	4,004	309,118
Printing	197,424	11,533	17,187	58,216	4,283	4,416	293,059
Professional fees	37,770	2,207	3,288	10,175	749	772	54,961
Programming	122,165	7,137	10,635	161,450	11,878	12,248	325,513
Promotions	250,928	14,659	21,845	70,033	5,153	5,313	367,931
Rent, building and repairs	519,416	30,344	45,218	1,167	85	88	596,318
Taxes, licenses, and fees	160,698	9,388	13,990	5,006	367	380	189,829
Telephone	77,916	4,552	6,783	3,718	274	282	93,525
Travel	86,669	5,063	7,545	13,996	1,029	1,062	115,364
Utilities	393,774	23,004	34,280	-	-	-	451,058
Allocation from supporting departments	(414,346)	(24,207)	(36,071)	412,924	30,375	31,325	-
	\$ 7,159,575	\$ 418,258	\$ 623,282	\$ 1,037,304	\$ 76,306	\$ 78,693	\$ 9,393,418

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Family Life Communications Incorporated
Details of Consolidated Statement of Cash Flows
Year ended December 31, 2016

	Family Life Broadcasting	Parent Talk, Inc.	Total
Operating activities			
Change in net assets	\$ 286,777	\$ 135,900	\$ 422,677
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization	609,110	2,799	611,909
Amortization of bond issue costs	15,077		15,077
Loss (Gain) on sale or valuation of assets	309,158	-	309,158
Changes in operating assets and liabilities:			
Accounts payable and accrued expenses	94,375	1,009	95,384
Net cash provided by operating activities	<u>1,314,497</u>	<u>139,708</u>	<u>1,454,205</u>
Investing activities			
Increase in Long-term investments	(40,577)	(1,508)	(42,085)
Increase in Other assets	-	-	-
Proceeds from insurnace recovery/asset sale	91,214	-	91,214
Sale (purchase) of property, equipment	(949,133)	(14)	(949,147)
Sale (acquisition) of radio station frequency licenses	2,080	-	2,080
Net cash provided (used) by investing activities	<u>(896,416)</u>	<u>(1,522)</u>	<u>(897,938)</u>
Financing activities			
Reduction in intercompany debt	138,186	(138,186)	-
Principal payments on notes and term debt	(389,742)	-	(389,742)
Annuity liabilities and other	(24,000)	-	(24,000)
Net cash provided by (used in) financing activities	<u>(275,556)</u>	<u>(138,186)</u>	<u>(413,742)</u>
Increase (decrease) in cash	142,525	-	142,525
Cash and cash equivalents at beginning of year	<u>5,862,898</u>	<u>18,893</u>	<u>5,881,791</u>
Cash and cash equivalents at end of year	<u>\$ 6,005,423</u>	<u>\$ 18,893</u>	<u>\$ 6,024,316</u>

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Family Life Communications Incorporated
Details of Consolidated Statement of Cash Flows
Year ended December 31, 2015

	Family Life Broadcasting	Parent Talk, Inc.	Total
Operating activities			
Change in net assets	\$ (32,803)	\$ 125,728	\$ 92,925
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization	608,937	2,900	611,837
Amortization of bond issue costs	15,077		15,077
Loss (Gain) on sale of assets	(26,760)	-	(26,760)
Changes in operating assets and liabilities:			
Accounts payable and accrued expenses	55,925	(3,599)	52,326
Net cash provided by operating activities	<u>620,376</u>	<u>125,029</u>	<u>745,405</u>
Investing activities			
Increase in Long-term investments	71,553	7,499	79,052
Payment of bond issue costs			-
Increase in Other assets	(9,054)	-	(9,054)
Proceeds from disposals of property	44,610	-	44,610
Sale (purchase) of property, equipment	(516,541)	(5,793)	(522,334)
Sale (acquisition) of radio station frequency licenses	(114,687)	-	(114,687)
Net cash provided (used) by investing activities	<u>(524,119)</u>	<u>1,706</u>	<u>(522,413)</u>
Financing activities			
Reduction in intercompany debt	126,735	(126,735)	-
Principal payments on notes and term debt	(666,815)	-	(666,815)
Annuity liabilities and other	(24,000)	-	(24,000)
Net cash provided by (used in) financing activities	<u>(564,080)</u>	<u>(126,735)</u>	<u>(690,815)</u>
Increase (decrease) in cash	(467,823)	-	(467,823)
Cash and cash equivalents at beginning of year	6,330,721	18,893	6,349,614
Cash and cash equivalents at end of year	<u>\$ 5,862,898</u>	<u>\$ 18,893</u>	<u>\$ 5,881,791</u>

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