



FAMILY STATIONS, INC.

Financial Statements  
With Independent Auditors' Report

December 31, 2019

# FAMILY STATIONS, INC.

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Family Stations, Inc.  
Franklin, Tennessee

We have audited the accompanying financial statements of Family Stations, Inc., which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements.

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

Board of Directors  
Family Stations, Inc.  
Franklin, Tennessee

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Stations, Inc. as of December 31, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Colorado Springs, Colorado  
July 8, 2020

# FAMILY STATIONS, INC.

## Statement of Financial Position

December 31, 2019

### ASSETS:

#### Current assets:

Cash and cash equivalents	\$ 17,421,265
Investments	30,648
Accounts receivable	34,075
Prepaid expenses and other assets	498,426
	<u>17,984,414</u>
Deposits	137,969
Beneficial interest in trust	112,655
Radio broadcast licenses-net	18,840,602
Property and equipment-net	18,093,358

Total Assets \$ 55,168,998

### LIABILITIES AND NET ASSETS:

#### Current liabilities:

Accounts payable	\$ 161,712
Accrued expenses and other liabilities	788,308
Deferred revenue	14,064
Notes payable	305,250
	<u>1,269,334</u>

Net assets without donor restrictions 53,899,664

Total Liabilities and Net Assets \$ 55,168,998

See notes to financial statements

# FAMILY STATIONS, INC.

## Statement of Activities (Without Donor Restrictions)

Year Ended December 31, 2019

### SUPPORT AND REVENUE:

Contributions	\$ 5,334,719
Lease income and airtime revenue	452,151
Investment income	264,256
Gain on sale of property and equipment and radio broadcast licenses	1,197,647
Loss on impairment of radio broadcast licenses	(2,736,249)
Other income	9,563
Total Support and Revenue	<u>4,522,087</u>

### EXPENSES:

Program services	6,831,752
Supporting activities:	
General and administrative	2,744,382
Fund-raising	389,926
Total Expenses	<u>9,966,060</u>

Change in Net Assets (5,443,973)

Net Assets, Beginning of Year 59,343,637

Net Assets, End of Year \$ 53,899,664

See notes to financial statements

# FAMILY STATIONS, INC.

## Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services	Supporting Activities:		Total Expenses
		General and Administrative	Fund- Raising	
Salaries and benefits	\$ 2,435,945	\$ 1,187,413	\$ 110,089	\$ 3,733,447
Tower rents and utilities	2,926,541	289,196	3,857	3,219,594
Professional services	351,287	592,920	51,790	995,997
Depreciation and amortization	557,987	233,198	58,460	849,645
Memberships and licenses	322,920	33,161	3,389	359,470
Office and other expenses	95,337	220,779	2,702	318,818
Postage, publications, and printing	58,988	91,582	156,042	306,612
Travel and meetings	68,743	33,843	3,173	105,759
Insurance	14,004	62,290	424	76,718
Total Expenses	<u>\$ 6,831,752</u>	<u>\$ 2,744,382</u>	<u>\$ 389,926</u>	<u>\$ 9,966,060</u>

See notes to financial statements

# FAMILY STATIONS, INC.

## Statement of Cash Flows

Year Ended December 31, 2019

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (5,443,973)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	849,645
Donated stock	(5,210)
Unrealized gain on investments	(7,280)
Change in value of beneficial interest in trust	(12,414)
Gain on sale of property and equipment and radio broadcast licenses	(1,197,647)
Loss on impairment of radio broadcast licenses	2,736,249
Change in operating assets and liabilities:	
Prepaid expenses and other assets	(244,404)
Accounts receivable	(6,293)
Funds held in trust	305,250
Deposits	(72,642)
Accounts payable	(20,702)
Accrued expenses and other liabilities	361,175
Deferred revenue	14,064
Net Cash Used by Operating Activities	<u>(2,744,182)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(1,071,070)
Proceeds from sale of property and equipment and radio broadcast licenses	<u>1,401,303</u>
Net Cash Provided by Investing Activities	<u>330,233</u>

Net Change in Cash and Cash Equivalents (2,413,949)

Cash and Cash Equivalents, Beginning of Year 19,835,214

Cash and Cash Equivalents, End of Year \$ 17,421,265

### SUPPLEMENTAL DISCLOSURES:

Non-cash change of listener notes payable and funds held in trust \$ (26,395)

See notes to financial statements



# FAMILY STATIONS, INC.

## Notes to Financial Statements

December 31, 2019

### 1. NATURE OF ORGANIZATION:

Family Stations, Inc. (FSI) is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, FSI is subject to federal income tax on any unrelated business taxable income. In addition, FSI is not classified as a private foundation within the meaning of Section 509(a) of the IRC. The primary source of support and revenue for FSI is contributions from listeners.

FSI proclaims the Christian message primarily through its radio network and online streaming. They have been spreading the comfort and hope of the Gospel since 1959. FSI broadcasts over eighty signals throughout the United States.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

FSI maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were assumed in preparing the financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking and money market accounts. These accounts, from time to time, exceed federally insured limits. As of December 31, FSI had cash and cash equivalents on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$17,000,000. However, FSI has not experienced any losses on these accounts and does not believe it is exposed to any significant risk.

#### INVESTMENTS

Investments consist of equity securities and are reported at fair market value. Donated securities are recorded at fair value on the date of the gift and are carried at fair market value.

#### BENEFICIAL INTEREST IN TRUST

FSI has been named as a beneficiary on a beneficial remainder trust which is administered by a third party. Payments are made to beneficiaries at five percent annually of the fair market value of trust assets until the death of the donor, at which time the remaining assets will be distributed to FSI. Annual receipts are included within contributions on the statement of activities. Change in value of the beneficial interest in trust totaled \$12,414 during the year ended December 31, 2019 and is included within investment income on the statement of activities.

# FAMILY STATIONS, INC.

## Notes to Financial Statements

December 31, 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### NOTES PAYABLE

In 2014, FSI retired all promissory notes by paying them out to sponsors. Notes payable consist of amounts not cashed by sponsors. Therefore, FSI still owes sponsors for these amounts, and they continue to be shown as notes payable on the statement of financial position. In 2017, FSI stopped recording accrued interest on these notes payable due the nature of the notes. Since these notes are due to sponsors on demand, they have been classified as current liabilities on the statement of financial position as of December 31, 2019.

#### RADIO BROADCAST LICENSES-NET

Radio broadcast licenses are intangible assets that are recorded at cost, net of impairment. FSI has determined these licenses have an indefinite life. Since the useful life of the licenses is determined to be indefinite, FSI tests the licenses on an annual basis for impairment, and no amortization is being recorded. FSI estimates license values based on a variety of factors such as comparable sales of similar licenses, costs related to associated stations and towers, and general demand for similar licenses. Management has evaluated the radio broadcast licenses for impairment and recorded an impairment loss of \$2,736,249, which is included in the statement of activities for the year ended December 31, 2019.

#### PROPERTY AND EQUIPMENT-NET

Property and equipment is recorded at cost if purchased or fair value if contributed and include improvements that significantly add to utility or extend useful lives. Depreciation is recorded using the straight-line method to allocate cost over the estimated useful lives, which range from five to forty years. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in support and revenue for the period. Purchases in excess of \$5,000 are capitalized.

#### NET ASSETS

The net assets of FSI are reported in the following classes:

*Net assets without donor restrictions* are currently available at the discretion of the board for use in FSI's operations.

*Net assets with donor restrictions* are stipulated by donors for specific operating purposes. FSI has no net assets with donor restrictions as of December 31, 2019.

# FAMILY STATIONS, INC.

## Notes to Financial Statements

December 31, 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or when unconditionally promised. FSI reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. FSI received no contributions with donor restrictions during the year ended December 31, 2019.

Lease income and airtime revenue is recognized when earned. Investment income and other income is recognized when earned.

#### FUNCTIONAL ALLOCATION OF EXPENSES

The statement of functional expenses reports certain categories of expenses that are attributable to program or supporting activities of FSI. These expenses include depreciation and amortization and tower rents and utilities, which are allocated based on square footage occupancy. Costs of other categories were allocated on estimates of time and effort. FSI had no joint costs during the year ended December 31, 2019.

#### UNRELATED BUSINESS INCOME

FSI incurs income tax on certain tower rental agreements that are unrelated to FSI's normal business operations. Unrelated business income tax incurred for the year ended December 31, 2019 was approximately \$39,000. An accrual of \$120,000 for unrelated business income tax for 2019, 2018, and 2017 is included in accrued expenses and other liabilities within the statement of financial position.

# FAMILY STATIONS, INC.

## Notes to Financial Statements

December 31, 2019

### 3. FAIR VALUE MEASUREMENTS:

FSI uses appropriate valuation techniques to determine fair value based on inputs available. When available, FSI measures fair value using Level 1 inputs because they generally provide the most reliable evidence for fair value. Level 3 inputs are only used when Level 1 or level 2 inputs are not available.

The following table presents fair value measurements of assets measured at fair value on a recurring basis recognized in the accompanying statement of financial position as of December 31, 2019.

	December 31, 2019	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Investments			
Equity securities	\$ 30,648	\$ 30,648	\$ -
Beneficial interest in trust	\$ 112,655	\$ -	\$ 112,655

Valuation techniques: Fair values for equity securities are determined by reference to quoted market prices and other relevant information generated by market transactions, which is considered Level 1 of the fair value hierarchy. Fair value for the beneficial interest in trust is based on the present value of the projected value of the trust at the estimated termination date, net of the present value of amounts due to the income beneficiaries over the term of the trust, which is Level 3 of the fair value hierarchy. The discount rate used in the present value calculation was 7.4% with an assumed growth rate on investments of 5%.

Changes in valuation techniques: None.

The following table provides further details of the Level 3 fair value measurements for the year ended December 31, 2019. The unrealized gain shown below is included in investment income on the statement of activities.

Beginning of year	\$ 100,241
Unrealized gain	12,414
End of year	\$ 112,655

# FAMILY STATIONS, INC.

## Notes to Financial Statements

December 31, 2019

### 4. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects FSI's financial assets as of December 31, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial assets:	
Cash and cash equivalents	\$ 17,421,265
Investments	30,648
Accounts receivable	34,075
Beneficial interest in trust	112,655
Financial assets at year-end	<u>17,598,643</u>
Less those unavailable for general expenditure within one year, due to:	
Beneficial interest in trust not expected to be received within one year	<u>(103,366)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 17,495,277</u></u>

FSI manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As part of FSI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. There is a fund designated by management that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

### 5. RADIO BROADCAST LICENSES-NET:

Prior to January 1, 2002, the costs of some of FSI's radio broadcast licenses had been amortized on a straight-line basis over a period of forty years as required by generally accepted accounting principles then in effect. In accordance with accounting standards, this systematic amortization of license costs was discontinued. The aggregate station license costs and accumulated amortization as of December 31, 2019 are as follows:

Radio broadcast licenses, carrying value	\$ 21,116,904
Less accumulated amortization	<u>(2,276,302)</u>
	<u><u>\$ 18,840,602</u></u>

# FAMILY STATIONS, INC.

## Notes to Financial Statements

December 31, 2019

### 6. PROPERTY AND EQUIPMENT-NET:

Property and equipment–net, as of December 31, 2019, consists of:

Land and improvements	\$ 8,252,933
Buildings and improvements	5,546,769
Leasehold improvements	2,608,271
Towers, transmitters, antenna systems, and translators	7,926,770
Studio and office equipment	4,889,881
Satellite system	1,496,422
Information technology and software development	1,556,916
Vehicles	9,800
	<u>32,287,762</u>
Less accumulated depreciation and amortization	<u>(15,690,885)</u>
	<u>16,596,877</u>
Construction in progress	<u>1,496,481</u>
	<u>\$ 18,093,358</u>

### 7. RETIREMENT PLAN:

FSI maintains a 403(b) tax deferred annuity plan (the Plan) which covers all employees who have worked for FSI for at least 60 days. FSI matches 50% of an employee's contribution up to 3%. FSI contributed \$31,443 to the Plan during the year ended December 31, 2019.

### 8. LEASE INCOME:

FSI leases office space and radio tower space and usage to various tenants. FSI receives monthly payments from these tenants. Total revenue from these agreements was \$452,151 for the year ended December 31, 2019. Future minimum receipts related to these agreements are:

<u>Year Ending December 31,</u>	
2020	\$ 770,450
2021	735,894
2022	607,455
2023	567,709
2024	560,218
Thereafter	<u>47,846</u>
	<u>\$ 3,289,572</u>

# FAMILY STATIONS, INC.

## Notes to Financial Statements

December 31, 2019

9. OPERATING LEASE OBLIGATIONS:

FSI has multiple long-term operating leases for various transmitter sites, office space, and satellite channels. These leases are subject to automatic renewal periods ranging from five to ten years with annual escalations. Total rent expense paid during the year ended December 31, 2019 amounted to \$1,443,834.

Future minimum lease payments required under all operating leases in effect as of December 31, 2019 are:

<u>Year Ending December 31,</u>	
2020	\$ 1,037,582
2021	925,518
2022	756,197
2023	631,801
2024	511,513
Thereafter	<u>259,344</u>
	<u>\$ 4,121,955</u>

10. SUBSEQUENT EVENTS:

Subsequent events were evaluated through July 8, 2020, which is the date the financial statements were available to be issued.