



FAMILY STATIONS, INC.

Financial Statements
With Independent Auditors' Report

December 31, 2020 and 2019

FAMILY STATIONS, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements 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 statements of financial position as of December 31, 2020 and 2019, and the related 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 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, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
June 18, 2021

FAMILY STATIONS, INC.

Statements of Financial Position

	December 31,	
	2020	2019
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 66,234,413	\$ 17,421,265
Investments	36,640	30,648
Accounts receivable	30,353	34,075
Prepaid expenses and other assets	661,563	498,426
	66,962,969	17,984,414
Deposits and other assets	255,431	137,969
Beneficial interest in trusts	144,521	112,655
Radio broadcast licenses–net	18,840,602	18,840,602
Property held for sale	6,148,529	-
Property and equipment–net	5,915,420	18,093,358
	\$ 98,267,472	\$ 55,168,998
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 235,912	\$ 161,712
Accrued expenses and other liabilities	579,060	788,308
Deferred revenue	15,915	14,064
Deferred lease incentive-net, current portion	75,368	-
Notes payable	273,080	305,250
	1,179,335	1,269,334
Deferred lease incentive-net, long-term portion	200,980	-
	1,380,315	1,269,334
Net assets without donor restrictions	96,887,157	53,899,664
Total Liabilities and Net Assets	\$ 98,267,472	\$ 55,168,998

See notes to financial statements

FAMILY STATIONS, INC.

Statements of Activities (Without Donor Restrictions)

	Year Ended December 31,	
	2020	2019
SUPPORT AND REVENUE:		
Contributions	\$ 6,960,037	\$ 5,334,719
Lease income and airtime revenue	861,166	452,151
Investment income	145,829	264,256
Gain on sale of property and equipment and radio broadcast licenses	43,818,164	1,197,647
Loss on impairment of radio broadcast licenses	-	(2,736,249)
Other income	108,364	9,563
Total Support and Revenue	<u>51,893,560</u>	<u>4,522,087</u>
EXPENSES:		
Program services	6,263,226	6,831,752
Supporting activities:		
General and administrative	2,336,452	2,744,382
Fund-raising	306,389	389,926
Total Expenses	<u>8,906,067</u>	<u>9,966,060</u>
Change in Net Assets	42,987,493	(5,443,973)
Net Assets, Beginning of Year	<u>53,899,664</u>	<u>59,343,637</u>
Net Assets, End of Year	<u>\$ 96,887,157</u>	<u>\$ 53,899,664</u>

See notes to financial statements

FAMILY STATIONS, INC.

Statements of Functional Expenses

Year Ended December 31, 2020				
Program Services	Supporting Activities:			Total Expenses
	General and Administrative	Fund- Raising		
Tower rents and utilities	\$ 2,880,259	\$ 338,187	\$ 2,232	\$ 3,220,678
Salaries and benefits	1,900,984	655,425	59,399	2,615,808
Professional services	374,505	555,165	88,500	1,018,170
Depreciation and amortization	632,837	373,055	4,818	1,010,710
Memberships and licenses	362,140	23,491	611	386,242
Postage, publications, and printing	42,628	137,517	141,064	321,209
Office and other expenses	43,582	176,224	424	220,230
Insurance	16,935	56,004	370	73,309
Travel and meetings	9,356	21,384	8,971	39,711
Total 2020 Expenses	\$ 6,263,226	\$ 2,336,452	\$ 306,389	\$ 8,906,067

Year Ended December 31, 2019				
Program Services	Supporting Activities:			Total Expenses
	General and Administrative	Fund- Raising		
Tower rents and utilities	\$ 2,926,541	\$ 289,196	\$ 3,857	\$ 3,219,594
Salaries and benefits	2,435,945	1,187,413	110,089	3,733,447
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
Postage, publications, and printing	58,988	91,582	156,042	306,612
Office and other expenses	95,337	220,779	2,702	318,818
Insurance	14,004	62,290	424	76,718
Travel and meetings	68,743	33,843	3,173	105,759
Total 2019 Expenses	\$ 6,831,752	\$ 2,744,382	\$ 389,926	\$ 9,966,060

See notes to financial statements

FAMILY STATIONS, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 42,987,493	\$ (5,443,973)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,010,710	849,645
Donated stock	-	(5,210)
Unrealized gain on investments	(5,992)	(7,280)
Change in value of beneficial interest in trust	(10,942)	(12,414)
Contribution of beneficial interest in trust	(20,924)	-
Gain on sale of property and equipment and radio broadcast licenses	(43,818,164)	(1,197,647)
Loss on impairment of radio broadcast licenses	-	2,736,249
Amortization of listener notes payable	(32,170)	-
Change in operating assets and liabilities:		
Prepaid expenses and other assets	(163,137)	(244,404)
Accounts receivable	3,722	(6,293)
Funds held in trust	-	305,250
Deposits and other assets	(117,462)	(72,642)
Accounts payable	74,200	(20,702)
Accrued expenses and other liabilities	(209,248)	361,175
Deferred revenue	1,851	14,064
Deferred lease incentive-net	276,348	-
Net Cash Used by Operating Activities	(23,715)	(2,744,182)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(715,690)	(1,071,070)
Proceeds from sale of property and equipment and radio broadcast licenses	49,552,553	1,401,303
Net Cash Provided by Investing Activities	48,836,863	330,233
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds of Paycheck Protection Program loan	520,712	-
Return of funds from Paycheck Protection Program loan	(520,712)	-
Net Cash Provided by Financing Activities	-	-
Net Change in Cash and Cash Equivalents	48,813,148	(2,413,949)
Cash and Cash Equivalents, Beginning of Year	17,421,265	19,835,214
Cash and Cash Equivalents, End of Year	\$ 66,234,413	\$ 17,421,265
SUPPLEMENTAL DISCLOSURES:		
Non-cash change of listener notes payable and funds held in trust	\$ -	\$ (26,395)
Transfer of property and equipment to property held for sale	\$ 6,148,529	\$ -
Contribution of beneficial interest in trust	\$ 20,924	\$ -

See notes to financial statements

FAMILY STATIONS, INC.

Notes to Financial Statements

December 31, 2020 and 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, 2020 and 2019, FSI had cash and cash equivalents on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$65,000,000 and \$17,000,000, respectively. 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 TRUSTS

FSI has been named as a beneficiary on two beneficial remainder trusts which are administered by third parties. Payments are made to beneficiaries regularly 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 statements of activities. Change in value of the beneficial interest in trusts totaled \$10,942 and \$12,414 during the years ended December 31, 2020 and 2019, respectively, included within investment income on the statements of activities.

FAMILY STATIONS, INC.

Notes to Financial Statements

December 31, 2020 and 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 statements of financial position. In 2017, FSI stopped recording accrued interest on these notes payable due the nature of the notes. During the year ended December 31, 2020, FSI began amortizing these notes payable on a straight-line basis over a ten year life. During the year ended December 31, 2020, FSI recorded \$32,170 of income related to the amortization of these notes payable, which is included in other income on the statements of activities. Since these notes are due to sponsors on demand, they have been classified as current liabilities on the statements of financial position as of December 31, 2020 and 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 \$0 and \$2,736,249, which is included in the statements of activities for the years ended December 31, 2020 and 2019, respectively.

PROPERTY HELD FOR SALE

During the year ended December 31, 2020, FSI made a decision to sell its Alameda property, which is reflected as property held for sale on the statements of financial position as of December 31, 2020. It is reported at the lower of cost or net realizable value. As the estimated net realizable value is greater than the cost, no impairment was recorded during the year ended December 31, 2020.

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.

FAMILY STATIONS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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. During the year ended December 31, 2020, the board created a designated fund as a reserve for repaying the outstanding listener notes payable. The balance of board designated net assets at December 31, 2020 was \$32,170.

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, 2020 and 2019.

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 statements of activities as net assets released from restrictions. FSI received no contributions with donor restrictions during the years ended December 31, 2020 and 2019.

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

FUNCTIONAL ALLOCATION OF EXPENSES

The statements 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 years ended December 31, 2020 and 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 years ended December 31, 2020 and 2019 was approximately \$25,000 and \$40,000, respectively. An accrual of approximately \$25,000 and \$120,000 for unrelated business income tax as of December 31, 2020 and 2019, respectively, is included in accrued expenses and other liabilities within the statements of financial position.

FAMILY STATIONS, INC.

Notes to Financial Statements

December 31, 2020 and 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 tables present 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, 2020 and 2019.

	December 31, 2020	Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Investments			
Equity securities	\$ 36,640	\$ 36,640	\$ -
Beneficial interest in trusts	\$ 144,521	\$ -	\$ 144,521
	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 trusts	\$ 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 one 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. The discount rate used in the present value calculation was 7.4% with an assumed growth rate on investments of 5%. As there are no ongoing distributions to income beneficiaries for the second beneficial interest in trust, fair value is measured using the unconditionally promised percentage of the fair value of the trust's assets. Both measurement methods are considered Level 3 of the fair value hierarchy.

Changes in valuation techniques: None.

FAMILY STATIONS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

3. FAIR VALUE MEASUREMENTS, continued:

The following table provides further details of the Level 3 fair value measurements for the years ended December 31, 2020 and 2019. The unrealized gain shown below is included in investment income on the statements of activities.

	December 31,	
	2020	2019
Fair value, beginning of year	\$ 112,655	\$ 100,241
Contribution of an interest in a beneficial trust	20,924	-
Unrealized gain	10,942	12,414
Fair value, end of year	\$ 144,521	\$ 112,655

4. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects FSI's financial assets as of December 31, 2020 and 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.

	December 31,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 66,234,413	\$ 17,421,265
Investments	36,640	30,648
Accounts receivable	30,353	34,075
Beneficial interest in trust	144,521	112,655
Financial assets at year-end	66,445,927	17,598,643
Less those unavailable for general expenditure within one year, due to:		
Board designated net assets	(32,170)	-
Beneficial interest in trust not expected to be received within one year	(134,523)	(103,366)
Financial assets available to meet cash needs for general expenditures within one year	\$ 66,279,234	\$ 17,495,277

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.

FAMILY STATIONS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

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 are as follows:

	December 31,	
	2020	2019
Radio broadcast licenses, carrying value	\$ 21,116,904	\$ 21,116,904
Less accumulated amortization	(2,276,302)	(2,276,302)
	\$ 18,840,602	\$ 18,840,602

6. PROPERTY AND EQUIPMENT-NET:

Property and equipment—net, consists of:

	December 31,	
	2020	2019
Land and improvements	\$ 1,964,933	\$ 8,252,933
Buildings and improvements	426,654	5,546,769
Leasehold improvements	3,196,305	2,608,271
Towers, transmitters, antenna systems, and translators	7,164,715	7,926,770
Studio and office equipment	4,753,706	4,889,881
Satellite system	1,502,726	1,496,422
Information technology and software development	1,952,563	1,556,916
Vehicles	9,800	9,800
	20,971,402	32,287,762
Less accumulated depreciation and amortization	(15,587,449)	(15,690,885)
	5,383,953	16,596,877
Construction in progress	531,467	1,496,481
	\$ 5,915,420	\$ 18,093,358

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 \$27,225 and \$31,443 to the Plan during the years ended December 31, 2020 and 2019, respectively.

FAMILY STATIONS, INC.

Notes to Financial Statements

December 31, 2020 and 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 \$861,166 and \$452,151 for the years ended December 31, 2020 and 2019, respectively. Future minimum receipts related to these agreements are:

<u>Year Ending December 31,</u>	
2021	\$ 888,743
2022	760,570
2023	721,097
2024	713,888
2025	<u>230,709</u>
	<u>\$ 3,315,007</u>

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 years ended, December 31, 2020 and 2019 amounted to \$1,579,239 and \$1,443,834, respectively.

During the year ended December 31, 2019, FSI entered into a lease agreement with an unrelated third party for use of space. Per the agreement, the lessor agreed to pay for leasehold improvements up to \$389,400. This is considered a lease incentive. The total cost of the leasehold improvements were capitalized and the amount paid by the lessor, \$389,400, was recorded as a deferred lease incentive liability. The deferred lease incentive will be amortized at a rate of \$6,281 per month over the life of the lease as an offset against rent expense. As of December 31, 2020, the deferred lease incentive is stated net of amortization of \$113,052.

Future minimum lease payments required under all operating leases and contractual obligations as of December 31, 2020 are:

<u>Year Ending December 31,</u>	
2021	\$ 926,088
2022	756,894
2023	631,801
2024	511,512
2025	202,331
Thereafter	<u>57,013</u>
	<u>\$ 3,085,639</u>

FAMILY STATIONS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

10. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of FSI for future periods. Management is carefully monitoring the situation.

11. SUBSEQUENT EVENTS:

Subsequent events were evaluated through June 18, 2021, which is the date the financial statements were available to be issued.