



FOCUS ON THE FAMILY AND AFFILIATES

Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2019 and 2018

FOCUS ON THE FAMILY AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Focus on the Family and Affiliates
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of Focus on the Family and Affiliates, which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Focus on the Family and Affiliates as of September 30, 2019 and 2018, and the 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.

Emphasis of Matter

Focus on the Family and Affiliates have adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the September 30, 2019 and 2018 consolidated financial statements. Our opinion is not modified in respect to this matter.

Capin Crouse LLP

Colorado Springs, Colorado
January 27, 2020

FOCUS ON THE FAMILY AND AFFILIATES

Consolidated Statements of Financial Position (in thousands)

| | September 30, | |
|--|---------------|-----------|
| | 2019 | 2018 |
| ASSETS: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 10,794 | \$ 11,177 |
| Restricted cash | 4,000 | 4,000 |
| Accounts receivable–net | 570 | 839 |
| Inventory | 1,207 | 1,183 |
| Pledges receivable–net | 157 | 189 |
| Prepaid expenses | 3,236 | 3,092 |
| Investments | 9,561 | 9,039 |
| | 29,525 | 29,519 |
| Property held for investment–net of current portion | 1,529 | 1,529 |
| Film production costs–net | 393 | 501 |
| Other assets | 2,390 | 2,401 |
| Long-term investments | 3,958 | 3,759 |
| Property and equipment–net | 31,552 | 28,552 |
| Endowment assets | 349 | 186 |
| | 349 | 186 |
| Total Assets | \$ 69,696 | \$ 66,447 |
| LIABILITIES AND NET ASSETS: | | |
| Current liabilities: | | |
| Accounts payable | \$ 5,481 | \$ 4,061 |
| Accrued expenses | 4,207 | 4,063 |
| Deferred revenue | 4,172 | 3,365 |
| Current portion of charitable gift annuities liability | 424 | 402 |
| | 14,284 | 11,891 |
| Long-term liabilities | 753 | 574 |
| Charitable gift annuities liability–net of current portion | 2,512 | 2,500 |
| | 17,549 | 14,965 |
| Net assets: | | |
| Without donor restrictions | 37,681 | 38,982 |
| With donor restrictions: | | |
| Restricted by purpose and time | 14,225 | 12,409 |
| Restricted in perpetuity | 241 | 91 |
| | 52,147 | 51,482 |
| Total Liabilities and Net Assets | \$ 69,696 | \$ 66,447 |

See notes to consolidated financial statements

FOCUS ON THE FAMILY AND AFFILIATES

Consolidated Statements of Activities (in thousands)

Year Ended September 30,

| | Year Ended September 30, | | | | | |
|--------------------------------------|-------------------------------|----------------------------|------------------|-------------------------------|----------------------------|------------------|
| | 2019 | | | 2018 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUE: | | | | | | |
| Contributions | \$ 54,553 | \$ 28,268 | \$ 82,821 | \$ 56,993 | \$ 18,817 | \$ 75,810 |
| Sales | 8,543 | - | 8,543 | 8,618 | - | 8,618 |
| Royalty and licensing revenue | 1,959 | - | 1,959 | 2,032 | - | 2,032 |
| Investment income | 294 | - | 294 | (82) | - | (82) |
| Event revenue | 4,489 | - | 4,489 | 8,740 | - | 8,740 |
| Change in value of annuities | (62) | - | (62) | 238 | - | 238 |
| Income (loss) from joint ventures | (514) | - | (514) | 640 | - | 640 |
| Other revenue | 1,676 | - | 1,676 | 2,285 | - | 2,285 |
| Total Support and Revenue | 70,938 | 28,268 | 99,206 | 79,464 | 18,817 | 98,281 |
| NET ASSETS RELEASED: | | | | | | |
| Time restrictions | 270 | (270) | - | 201 | (201) | - |
| Purpose restrictions | 26,032 | (26,032) | - | 14,321 | (14,321) | - |
| Total Net Assets Released | 26,302 | (26,302) | - | 14,522 | (14,522) | - |
| EXPENSES: | | | | | | |
| Program services: | | | | | | |
| Marriage | 21,184 | - | 21,184 | 26,793 | - | 26,793 |
| Parenting | 27,488 | - | 27,488 | 28,854 | - | 28,854 |
| Evangelism and discipleship | 19,376 | - | 19,376 | 17,375 | - | 17,375 |
| Advocacy | 12,303 | - | 12,303 | 7,573 | - | 7,573 |
| Citizenship | 3,886 | - | 3,886 | 4,129 | - | 4,129 |
| | 84,237 | - | 84,237 | 84,724 | - | 84,724 |
| Supporting activities: | | | | | | |
| General and administrative | 7,446 | - | 7,446 | 7,683 | - | 7,683 |
| Fund-raising | 6,858 | - | 6,858 | 6,975 | - | 6,975 |
| Total Expenses | 98,541 | - | 98,541 | 99,382 | - | 99,382 |
| Change in Net Assets | (1,301) | 1,966 | 665 | (5,396) | 4,295 | (1,101) |
| Net Assets, Beginning of Year | 38,982 | 12,500 | 51,482 | 44,378 | 8,205 | 52,583 |
| Net Assets, End of Year | \$ 37,681 | \$ 14,466 | \$ 52,147 | \$ 38,982 | \$ 12,500 | \$ 51,482 |

See notes to consolidated financial statements

FOCUS ON THE FAMILY AND AFFILIATES

Consolidated Statement of Functional Expenses (in thousands)

Year Ended September 30, 2019 (with comparative 2018 totals)

| | Program Services | | | | | Supporting Activities | | | 2019 Total Expenses | 2018 Total Expenses | |
|-------------------------------|------------------|------------------|------------------------------|------------------|-----------------|-----------------------|-------------------------------|-----------------|------------------------|------------------------|------------------|
| | Marriage | Parenting | Evangelism / Discipleship | Advocacy | Citizenship | Total | General and Administrative | Fundraising | | | Total |
| Salaries and benefits | \$ 10,604 | \$ 13,083 | \$ 9,464 | \$ 4,537 | \$ 2,011 | \$ 39,699 | \$ 4,169 | \$ 4,109 | \$ 8,278 | \$ 47,977 | \$ 46,544 |
| Broadcast and publications | 5,821 | 10,117 | 5,387 | 4,160 | 1,221 | 26,706 | 434 | 1,523 | 1,957 | 28,663 | 28,165 |
| Office and technology | 1,945 | 2,063 | 2,057 | 973 | 422 | 7,460 | 1,816 | 350 | 2,166 | 9,626 | 8,994 |
| Depreciation and amortization | 710 | 1,081 | 1,376 | 374 | 119 | 3,660 | 867 | 94 | 961 | 4,621 | 4,520 |
| Events and travel | 987 | 891 | 522 | 694 | 89 | 3,183 | 160 | 782 | 942 | 4,125 | 7,471 |
| Grants and benevolence | 1,117 | 252 | 570 | 1,565 | 24 | 3,528 | - | - | - | 3,528 | 3,688 |
| Total Expenses | \$ 21,184 | \$ 27,488 | \$ 19,376 | \$ 12,303 | \$ 3,886 | \$ 84,237 | \$ 7,446 | \$ 6,858 | \$ 14,304 | \$ 98,541 | \$ 99,382 |

See notes to consolidated financial statements

FOCUS ON THE FAMILY AND AFFILIATES

Consolidated Statements of Cash Flows (in thousands)

| | Year Ended September 30, | |
|--|--------------------------|------------|
| | 2019 | 2018 |
| OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 665 | \$ (1,101) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization of property and equipment | 4,243 | 4,036 |
| Amortization of film production costs | 378 | 478 |
| Realized loss (gain) on sale and disposal of assets | 568 | (11) |
| Net realized and unrealized loss (gain) on investments and endowment assets | (1) | 8 |
| Change in value of annuities | 52 | (238) |
| Changes in operating assets: | | |
| Accounts receivable | 269 | 565 |
| Inventory | (24) | (260) |
| Prepaid expenses | (144) | 3,098 |
| Pledges receivable | 32 | 152 |
| Other assets | 11 | (381) |
| Changes in operating liabilities: | | |
| Accounts payable and long-term liabilities | 1,599 | 730 |
| Accrued expenses | 144 | 635 |
| Deferred revenue | 807 | (4,936) |
| Net Cash Provided by Operating Activities | 8,599 | 2,775 |
| INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (7,818) | (2,745) |
| Purchases of investments | (2,352) | (12,043) |
| Proceeds from sales of investments | 1,754 | 13,708 |
| Proceeds from sales of property and equipment | 7 | 23 |
| Payments for film production | (270) | (26) |
| Gift portion of new annuities | (130) | (50) |
| Net Cash Used by Investing Activities | (8,809) | (1,133) |
| FINANCING ACTIVITIES: | | |
| Payments on gift annuities | (413) | (409) |
| Proceeds from issuance of new charitable gift annuities | 240 | 93 |
| Net Cash Used by Financing Activities | (173) | (316) |
| Net Change in Cash and Cash Equivalents | (383) | 1,326 |
| Cash and Cash Equivalents, Beginning of Year | 11,177 | 9,851 |
| Cash and Cash Equivalents, End of Year | \$ 10,794 | \$ 11,177 |

* During the year ended September 30, 2018, property held for investment of \$1,283,000 was invested in joint ventures.

See notes to consolidated financial statements

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

1. NATURE OF ORGANIZATIONS:

Focus on the Family (FOF) is a non-denominational church whose primary objective is to cooperate with the Holy Spirit in sharing the Gospel of Jesus Christ with as many people as possible by nurturing and defending the God-ordained institution of the family and promoting Biblical truths worldwide. The mission of Focus on the Family is accomplished through many ministry activities that include radio broadcasts, periodicals, books, films, videos, internet, and events which share the Gospel of Jesus Christ with constituents, schools, churches, and the public at large in the United States, as well as around the world. The primary sources of revenue are contributions from individuals, businesses, foundations, sales of books and audio-visual materials, and events.

FOF 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, FOF is subject to federal income tax on any unrelated business taxable income. In addition, FOF is not classified as a private foundation within the meaning of Section 509(a) of the IRC. It has been recognized by the IRS as a public charity under Section 509(a)(2) and is a church under Section 170 (b)(1)(A)(i).

Pine Creek Entertainment, LLC (PCE) produces feature-length documentary films that explore and reveal God's design for the family. PCE produced the films Irreplaceable and Dropbox; these are part of a planned series of feature-length documentaries that recover, renew, and reclaim the conversation about God's design for the family. PCE was formed on March 11, 2011 under the laws of Colorado. PCE's legal year-end is December 31, however, for comparability the presentation in the consolidated financial statements reflects the balances and activities for the years ended September 30, 2019 and 2018.

RezilientKidz (RK) was organized on March 11, 2011, as a nonprofit educational corporation under the laws of Colorado and 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, RK is subject to federal income tax on any unrelated business taxable income. In addition, RK is not classified as a private foundation within the meaning of Section 509(a) of the IRC. RK is a chartable, educational, and scientific organization created to champion the needs of children and equip parents to build thriving, healthy families through research, community initiatives, and reliable content.

PCE and RK are legally recognized entities that FOF operates. PCE and RK have common board members and officers, as well as some common management with FOF.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

FOF maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated 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 of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the consolidated financial resources and activities of FOF, PCE, and RK which will be collectively referred to as Focus. All material transactions and balances between the entities have been eliminated in the consolidation.

In 1983, a related entity, Focus on the Family (Canada) Association, was formed under the nonprofit laws of Canada. In addition, FOF works with several other related organizations throughout the world. These related organizations are legally separate from FOF, and each organization is governed by an independent board of directors; therefore, the assets, liabilities, net assets, and results of their activities have not been included in this report.

CASH AND CASH EQUIVALENTS

Focus considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash includes demand deposit accounts, commercial paper, and money market accounts recorded at cost, which approximates fair value. As of September 30, 2019 and 2018, Focus has cash and cash equivalents on deposit with financial institutions, including restricted cash, that exceed the federally insured (FDIC) balance by approximately \$13,900,000 and \$14,760,000, respectively. Focus has not experienced any losses in such accounts and believe they are not exposed to any significant credit risk on cash and cash equivalents.

RESTRICTED CASH

Restricted cash consists of amounts held as a compensating balance for the bank that extended the line of credit and the letters of credit.

INVESTMENTS

Investments are carried at fair market value, with realized and unrealized gains and losses included as revenue without donor restrictions in the consolidated statements of activities. Certificates of deposit are recorded at cost. Donated investments are recorded at the fair market value on the date of donation and thereafter carried in accordance with the above provisions.

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of receivables from events, licensees, trade sales, and tenant improvements. Accounts receivable are net of an allowance for uncollectible accounts of \$0 and \$6,315 as of September 30, 2019 and 2018, respectively. The allowance for doubtful accounts is maintained at a level that, in management's judgment, is adequate to absorb possible losses. The amount is based upon an analysis of overall trade receivables by management that includes, but is not limited to, the historical experience of payment patterns from the customer, financial condition of the customer, other known facts and circumstances and general economic conditions. This process is based on estimates, and ultimately losses may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for doubtful accounts in the period in which they become known. Receivables are written off when all methods of collection have been exhausted.

INVENTORY

Inventory consists of books, literature, and audio-visual materials, which are recorded at the lower of cost or net realizable value, using the weighted-average cost method (this method approximates the first-in first-out methodology).

PLEDGES RECEIVABLE

Pledges receivable are unconditional promises to give that are recognized as assets and support in the period made and are recorded at their estimated net present value. The recorded value includes an allowance for uncollectible amounts of \$83,000 and \$100,000 as of September 30, 2019 and 2018, respectively. This allowance is calculated based on the historical collectability of the related pledges.

PREPAID EXPENSES

Prepaid expenses mainly consist of prepaid service contracts and advance royalties as of September 30, 2019 and 2018.

PROPERTY HELD FOR INVESTMENT

As of September 30, 2019 and 2018, management reclassified a total of \$1,528,562 from property and equipment to property held for investment. As of September 30, 2019 and 2018, FOF has recorded this property held for investment as a non-current asset to fund future investments in the Highlands at Briargate I, LLC and Highlands at Briargate II, LLC. Property held for investment is held at the lower of cost or fair market value.

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FILM PRODUCTION COSTS

Film production costs are amortized over the estimated period during which the related income is expected to be earned (three to five years). At September 30, 2019 and 2018, accumulated amortization was \$30,940,000 and \$30,562,000, respectively. Focus periodically reviews film production costs for impairment, retirement, or abandonment. Upon impairment, retirement, or abandonment, the cost of the assets disposed of and the related accumulated amortization are removed from the accounts and any resulting gain or loss is reflected.

PROPERTY AND EQUIPMENT—NET

Property and equipment are recorded on the basis of cost, or estimated fair value if donated. Focus capitalizes most purchases in excess of \$2,500, with lesser amounts expensed in the year purchased. Software purchases are capitalized if the amount is in excess of \$100,000. Upon retirement or sale, the cost of the assets disposed of and the related accumulated amortization are removed from the accounts and any resulting gain or loss is reflected in operations for the period. Depreciation and amortization are provided using the straight-line method over the following estimated useful lives of the assets:

| | <u>Estimated Useful Lives</u> |
|-------------------------------------|-------------------------------|
| Land improvements | 10 years |
| Buildings and building improvements | 20-30 years |
| Furniture, equipment, and software | 2-7 years |
| Website | 3 years |

OPERATING LINE OF CREDIT

In 2019, FOF renewed a line of credit with a bank for \$14,685,624, which is renewable annually by the Lender and matures July 3, 2020. Advances under the agreements bear interest at the Lender's Prime Rate (the "Index"), which was 5.50% and 5.00% as of September 30, 2019 and 2018, respectively. The line of credit is collateralized by real property. As of September 30, 2019 and 2018, there were no outstanding balances on the line of credit and there were no borrowings during the fiscal years ended September 30, 2019 and 2018.

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

LETTERS OF CREDIT

In 2016, FOF obtained a letter of credit with a bank for \$3,012,830 for the benefit of the Magical Cruise Company related to its 40th year anniversary celebration event. If FOF were to fail to pay its obligations to the Magical Cruise Company, the bank could draw upon this letter of credit to pay the obligation. There were no draws during the fiscal year ended September 30, 2018. The letter of credit was cancelled by the Magical Cruise Company on January 11, 2018, upon the completion of the event.

During both of the years ended September 30, 2019 and 2018, FOF maintained a letter of credit with a bank in the amounts of \$314,376 and \$487,502, respectively, for the benefit of the Colorado Department of Labor and Employment. If FOF were to fail to pay unemployment obligations, the bank could draw upon this letter of credit to pay the obligation. As of September 30, 2019 and 2018, there were no outstanding balances on the letter of credit and there were no draws during the fiscal years ended September 30, 2019 and 2018. The letter of credit expires July 3, 2021.

DEFERRED INCOME

Deferred revenue is recorded for the unearned portion of subscriptions, event pre-registrations, tuition, advertising, and the advance royalties received on book and film resources. Revenue is recognized as earned; when the related products are fulfilled or events are held. As of September 30, 2019, \$835,790 of deferred income was collected from various donors related to a conditional pledge. If \$2,000,000 is collected before the end of the pledge period, other donors will match the \$2,000,000 and all funds will be recognized as revenue by Focus. If this threshold is not met, Focus must return all amounts collected to the various donors. Subsequent to September 30, 2019, the match was met and all revenue was recognized.

CLASSES OF NET ASSETS

The net assets of Focus are reported in the following categories:

Net assets without donor restrictions consist of amounts currently available for use in the ministries of Focus and resources invested in property and equipment. During the years ended September 30, 2019 and 2018, the reserve for annuities kept by Focus was approximately \$424,000 and \$402,000, respectively.

Net assets with donor restrictions consist of unexpended, donor-restricted contributions and pledges receivable for special projects and contributions with time restrictions attached, and unexpended endowment funds subject to restriction of gift instruments requiring that the principal be invested in perpetuity. Some disclosures required by the Reporting Endowment Funds subtopic of the Financial Accounting Standards Board Accounting Standards Codification have not been included in these financial statements due to immateriality.

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS, continued

The management of Focus has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Focus classifies as net assets restricted in perpetuity (a) the original value of the gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. Thus the net assets restricted in perpetuity reflect the historical cost value of the endowment.

Focus has a policy consistent with the intent of the endowment agreement. The primary investment objective of endowment funds is to follow those policies that will preserve the principal value, provide predictable income and, to the extent possible with prudence, increase the principal to offset the long-term effects of inflation. Accordingly, over the long-term, Focus expects the current spending policy to allow its endowment to grow on an annual basis. Actual results in any given year may vary.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. 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 consolidated statements of activities as net assets released from restrictions. All contributions are considered available for use without donor restrictions unless specifically restricted by the donor.

Focus, through media and various publications, offers ministry-related materials to the public. These materials are available whether or not a contribution is made; however, a gift of any amount (GOAA) is requested. During the years ended September 30, 2019 and 2018, material costs of \$648,000 and \$682,000 were incurred, respectively, and are included in expenses in the consolidated statements of activities.

Sales consist primarily of film revenue and books and audio-visual material made to Focus constituents, distributors, and institutions.

Event revenue consists of Focus ministry events, marriage counseling, marriage enrichment retreats and conferences.

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENDITURES

The cost of providing the various programs has been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Salaries and benefits are allocated based upon time and effort, property depreciation is allocated based on square footage, equipment depreciation is allocated based on program usage, and remaining costs are allocated based on the purpose of the expense. The detailed schedule of the costs by program is included in the consolidated statement of functional expenses.

ADVERTISING, PROMOTION, AND CIRCULATION COSTS

Focus uses advertising, promotion, and circulation costs to distribute information regarding programs among the audiences served. These costs, expensed as incurred, are (in thousands):

| | Year Ended September 30, | |
|-------------------|--------------------------|-----------------|
| | 2019 | 2018 |
| Advertising | \$ 59 | \$ 72 |
| Promotion | 3,730 | 3,354 |
| Circulation costs | 222 | 326 |
| | <u>\$ 4,011</u> | <u>\$ 3,752</u> |

ADOPTION OF RECENTLY ISSUED PRONOUNCEMENTS

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Focus adopted the provisions of this new standard during the year ended September 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added including liquidity and funds available (Note 9), the consolidated statement of functional expenses was added, and disclosures on functional expenses were expanded (Note 2, above). The guidance defines the FASB's improvements to the net asset classification requirements and the information presented about a not-for-profit's liquidity, financial performance, and cash flows. The net asset classification has been updated to reflect the classification of assets into two distinct categories: with donor restrictions and without donor restrictions.

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

3. PLEDGES RECEIVABLE:

Pledges receivable consist of (in thousands):

| | September 30, | |
|--|---------------|--------|
| | 2019 | 2018 |
| Due in less than one year | \$ 240 | \$ 289 |
| Less allowance for uncollectible amounts | (83) | (100) |
| | \$ 157 | \$ 189 |

4. FAIR VALUE MEASUREMENTS:

Focus uses appropriate valuation techniques to determine fair value based on inputs available. When available, Focus measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available. Fair values of assets measured on a recurring basis at September 30, 2019 and 2018 are (in thousands):

| | September 30, 2019 | Fair Value Measurements Using: | |
|--|-----------------------|--|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
| Investments: | | | |
| Fixed income securities | \$ 4,753 | \$ 1,009 | \$ 3,744 |
| Mutual funds | 3,936 | 3,936 | - |
| Exchange traded funds | 874 | 874 | |
| Endowments: | | | |
| Mutual funds | 187 | 187 | - |
| Fixed income securities | 119 | 119 | - |
| Exchange traded funds | 29 | 29 | - |
| | 9,898 | 6,154 | 3,744 |
| Reconciling items: | | | |
| Certificates of deposit | 3,695 | | |
| Cash and money market accounts | 275 | | |
| | 3,970 | | |
| Total investments and endowment assets | \$ 13,868 | | |

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

4. FAIR VALUE MEASUREMENTS, continued:

| | | Fair Value Measurements Using: | |
|---|-----------------------|--|---|
| | September 30, 2018 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
| Investments: | | | |
| Fixed income securities | \$ 5,540 | \$ 870 | \$ 4,670 |
| Mutual funds | 3,693 | 3,693 | - |
| Exchange traded funds | 809 | 809 | |
| Endowments: | | | |
| Mutual funds | 103 | 103 | - |
| Fixed income securities | 59 | 59 | - |
| Exchange traded funds | 16 | 16 | - |
| | 10,220 | 5,550 | 4,670 |
| Reconciling items: | | | |
| Certificates of deposit | 2,478 | | |
| Cash and money market accounts | 286 | | |
| | 2,764 | | |
| Total investments and endowment assets | \$ 12,984 | | |

Valuation techniques : Fair value for equities, fixed income securities, mutual funds, and exchange traded funds are based on quoted prices in active markets. Level 2 investments consist of observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

5. INVESTMENTS:

Investments at estimated fair value consist of (in thousands):

| | September 30, | |
|----------------------------|---------------|-----------|
| | 2019 | 2018 |
| National gift annuities: | | |
| Mutual funds | \$ 3,936 | \$ 3,692 |
| Fixed income securities | 2,473 | 2,253 |
| Exchange traded funds | 616 | 563 |
| Money market accounts | 246 | 261 |
| | 7,271 | 6,769 |
| California gift annuities: | | |
| Fixed income securities | 268 | 254 |
| Exchange traded funds | 258 | 246 |
| Money market accounts | 15 | 17 |
| | 541 | 517 |
| Certificates of deposit | 3,695 | 2,478 |
| Corporate bonds | 2,012 | 3,034 |
| | \$ 13,519 | \$ 12,798 |

Investment income including return from endowment assets, consists of (in thousands):

| | Year Ended September 30, | |
|--|--------------------------|---------|
| | 2019 | 2018 |
| Interest and dividends | \$ 293 | \$ (74) |
| Realized and unrealized gains (losses) | 1 | (8) |
| | \$ 294 | \$ (82) |

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

6. OTHER ASSETS:

Other assets consist of (in thousands):

| | September 30, | |
|------------------------------|---------------|----------|
| | 2019 | 2018 |
| Investment in joint ventures | \$ 1,402 | \$ 1,923 |
| Deferred expenses | 621 | 270 |
| Deferred rent asset | 189 | 208 |
| Other | 178 | - |
| | \$ 2,390 | \$ 2,401 |

During the year ended September 30, 2015, FOF entered into a joint venture agreement to become a member of Highlands at Briargate I, LLC. (HBI), for the purpose of developing and constructing a retail shopping center. In December 2017, FOF contributed 8.1 acres to HBI in exchange for an ownership percentage of 25%. This is recorded as an investment in joint ventures and included in other assets on the consolidated statements of financial position as of September 30, 2019 and 2018. During the year ended September 30, 2018, several buildings were constructed and tenants commenced operations.

HBI's legal year-end is December 31, however, for comparability the presentation in the consolidated financial statements reflects the balances and activities as of September 30, 2019 and 2018. Unaudited summary financial information (rounded) of HBI is as follows for the periods ended September 30, 2019 and 2018:

| | September 30, | |
|-------------------|---------------|---------------|
| | 2019 | 2018 |
| Total Assets | \$ 13,903,000 | \$ 13,777,000 |
| Total Liabilities | \$ 13,049,000 | \$ 10,804,000 |
| Net Loss | \$ (37,500) | \$ (51,000) |

During the year ended September 30, 2017, FOF entered into a joint venture agreement to become a member of Highlands at Briargate II, LLC. (HBII), for the purpose of developing and constructing a senior living center. In December 2017, FOF contributed 4.5 acres to HBII in exchange for an ownership percentage of 75%. This is recorded as an investment in joint ventures and included in other assets on the consolidated statements of financial position as of September 30, 2019 and 2018. During the year ended September 30, 2019, construction began with a plan to be completed before September 2020.

HBII's legal year-end is December 31, however, for comparability the presentation in the consolidated financial statements reflects the balances and activities as of September 30, 2019 and 2018. Unaudited summary financial information (rounded) of HBII is as follows for the period ended September 30, 2019 and 2018:

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

6. OTHER ASSETS, continued:

| | September 30, | |
|-------------------|---------------|--------------|
| | 2019 | 2018 |
| Total Assets | \$ 2,033,000 | \$ 1,670,000 |
| Total Liabilities | \$ 337,000 | \$ 97,000 |
| Net income (loss) | \$ 32,500 | \$ (7,000) |

FOF's investment in both joint ventures is being recorded on the equity method as it does not manage the ongoing operations of the ventures.

7. PROPERTY AND EQUIPMENT—NET:

Property and equipment-net consists of (in thousands):

| | September 30, | |
|---|---------------|-----------|
| | 2019 | 2018 |
| Land | \$ 5,785 | \$ 5,579 |
| Land improvements | 4,097 | 4,021 |
| Buildings and building improvements | 64,617 | 60,490 |
| Furniture, equipment, and software | 34,885 | 32,430 |
| Website | 6,406 | 6,406 |
| | 115,790 | 108,926 |
| Accumulated depreciation and amortization | (84,351) | (80,923) |
| | 31,439 | 28,003 |
| Projects in progress | 113 | 549 |
| | \$ 31,552 | \$ 28,552 |

8. ENDOWMENT ASSETS:

Endowment assets consist of (in thousands):

| | September 30, | |
|-------------------------|---------------|--------|
| | 2019 | 2018 |
| Mutual funds | \$ 187 | \$ 102 |
| Fixed income securities | 119 | 59 |
| Exchange traded funds | 29 | 16 |
| Money market funds | 14 | 9 |
| | \$ 349 | \$ 186 |

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

9. LIQUIDITY AND FUNDS AVAILABLE:

The following table (in thousands) reflects Focus' financial assets as of September 30, 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, due to state required annuity reserves, trust requirements, assets being held for others, or perpetual endowment accumulated earnings net of appropriations within one year.

| | |
|---|------------------|
| Financial assets: | |
| Cash and cash equivalents | \$ 14,794 |
| Accounts receivable–net | 570 |
| Pledges receivable–net | 157 |
| Investments | 13,519 |
| Investment in joint ventures | 1,402 |
| Endowment assets | 349 |
| Financial assets, at year-end | <u>30,791</u> |
| Less those unavailable for general expenditure within one year, due to: | |
| Contributions not available for general expenditure within one year | (8,378) |
| State required annuity reserves | (4,130) |
| Investment in joint ventures | (1,402) |
| Perpetual endowments and accumulated earnings subject to appropriation beyond one year | <u>(349)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 16,532</u> |

Focus has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows through board meetings and detailed financial analysis. Focus also has a secured line of credit in the amount of \$14,685,624 that it could draw upon in the event of an unexpected cash need (see Note 2, above). The line of credit matures within the next year and management intends to restructure this facility to a lower amount, at which point the cash required to be restricted related to the line of credit should be significantly reduced or eliminated.

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

10. CHARITABLE GIFT ANNUITIES:

Upon receipt of charitable gift annuities, the actuarially computed present value of future payments is recognized as a liability, and the difference between the liability and the face value of the annuity is recognized as a contribution without donor restrictions. Subsequently, annuities payable are revalued annually using the federal mortality rates and discount factors applied at inception. Assets funding charitable gift annuities are included in investments.

Change in value of charitable gift annuities consists of (in thousands):

| | Year Ended September 30, | |
|---|--------------------------|---------------|
| | 2019 | 2018 |
| Interest and dividend income | \$ 166 | \$ 139 |
| Net realized and unrealized gains | 106 | 230 |
| Actuarial change in charitable gift annuity liability | (346) | (321) |
| Charitable gift annuity maturities | 12 | 190 |
| | <u>\$ (62)</u> | <u>\$ 238</u> |

11. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following (in thousands):

| | September 30, | |
|------------------------|------------------|------------------|
| | 2019 | 2018 |
| Marriage | \$ 9,650 | \$ 9,659 |
| Sanctity of human life | 3,713 | 2,333 |
| Parenting | 684 | 95 |
| Endowment | 241 | 91 |
| Pledges receivable | 157 | 189 |
| Evangelism | 21 | 133 |
| | <u>\$ 14,466</u> | <u>\$ 12,500</u> |

12. RETIREMENT PLAN:

FOF sponsors a defined contribution retirement plan under section 403(b) of the Internal Revenue Code covering substantially all regular, full-time employees meeting certain eligibility requirements. FOF provides a matching discretionary contribution of 3% to 6% of participant compensation, depending on years of service. It is FOF's policy to fund the retirement plan costs. Total contributions for the years ended September 30, 2019 and 2018, were \$1,269,000 and \$1,246,000, respectively.

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

13. ALLOCATION OF JOINT COSTS:

During the years ended September 30, 2019 and 2018, Focus incurred joint costs for informational materials and activities that included fund-raising appeals. These programs include various newsletters, magazines, and constituent relations. Costs associated with the various programs have been allocated in the consolidated statements of activities according to their functional classification as follows (in thousands):

| | Year Ended September 30, | |
|-----------------------------|--------------------------|-----------|
| | 2019 | 2018 |
| Program services: | | |
| Parenting | \$ 5,769 | \$ 5,289 |
| Marriage | 955 | 1,368 |
| Evangelism and discipleship | 1,792 | 1,191 |
| Citizenship | 397 | 953 |
| Advocacy | 228 | 230 |
| | 9,141 | 9,031 |
| Fund-raising | 1,352 | 1,344 |
| | \$ 10,493 | \$ 10,375 |

14. COMMITMENTS:

Focus has entered into various service agreements with unrelated third party vendors. Lease expenses for the years ended September 30, 2019 and 2018 were \$908,000 and \$206,000, respectively. Future minimum payments required under lease agreements and other contractual obligations as of the year ended September 30, 2019, are (in thousands):

| Year Ending September 30, | |
|---------------------------|----------|
| 2020 | \$ 308 |
| 2021 | 240 |
| 2022 | 203 |
| 2023 | 167 |
| 2024 | 167 |
| | \$ 1,085 |

FOCUS ON THE FAMILY AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2019 and 2018

15. FUTURE LEASE INCOME:

Focus has entered into various lease agreements with unrelated third party tenants. Lease income for the years ended September 30, 2019 and 2018 was approximately \$887,000 and \$864,000, respectively. Future minimum lease income under these agreements in effect as of the year ended September 30, 2019, are (in thousands):

| <u>Year Ending September 30,</u> | | |
|----------------------------------|----|--------------|
| 2020 | \$ | 890 |
| 2021 | | 736 |
| 2022 | | 185 |
| 2023 | | 29 |
| | | <hr/> |
| | \$ | <u>1,840</u> |

16. SUBSEQUENT EVENTS:

Subsequent events were evaluated through January 27, 2020, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

Board of Directors
Focus on the Family and Affiliates
Colorado Springs, Colorado

We have audited the consolidated financial statements of Focus on the Family and Affiliates as of and for the years ended September 30, 2019 and 2018, and our report thereon dated January 27, 2020, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Colorado Springs, Colorado
January 27, 2020

FOCUS ON THE FAMILY AND AFFILIATES

Consolidating Statement of Financial Position

September 30, 2019

| | Focus on the Family | Affiliates | Eliminations | Total |
|--|------------------------|-------------------|---------------------|----------------------|
| ASSETS: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 10,594,034 | \$ 199,880 | \$ - | \$ 10,793,914 |
| Restricted cash | 4,000,000 | - | - | 4,000,000 |
| Accounts receivable–net | 739,211 | 9,078 | (178,343) | 569,946 |
| Inventory | 1,150,406 | 56,183 | - | 1,206,589 |
| Pledges receivable | 157,223 | - | - | 157,223 |
| Prepaid expenses | 3,235,687 | - | - | 3,235,687 |
| Investments | 9,560,745 | - | - | 9,560,745 |
| | 29,437,306 | 265,141 | (178,343) | 29,524,104 |
| Property held for investment | 1,528,562 | - | - | 1,528,562 |
| Film production costs–net | 392,587 | - | - | 392,587 |
| Other assets | 2,390,226 | - | - | 2,390,226 |
| Long-term investments | 3,957,914 | - | - | 3,957,914 |
| Investment in subsidiaries | 82,109 | - | (82,109) | - |
| Property and equipment–net | 31,551,621 | - | - | 31,551,621 |
| Endowment assets | 348,972 | - | - | 348,972 |
| | 1,528,562 | - | - | 1,528,562 |
| | 392,587 | - | - | 392,587 |
| | 2,390,226 | - | - | 2,390,226 |
| | 3,957,914 | - | - | 3,957,914 |
| | 82,109 | - | (82,109) | - |
| | 31,551,621 | - | - | 31,551,621 |
| | 348,972 | - | - | 348,972 |
| Total Assets | \$ 69,689,297 | \$ 265,141 | \$ (260,452) | \$ 69,693,986 |
| LIABILITIES AND NET ASSETS: | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 5,478,830 | \$ 180,266 | \$ (178,343) | \$ 5,480,753 |
| Accrued expenses | 4,204,042 | 2,766 | - | 4,206,808 |
| Deferred revenue | 4,172,313 | - | - | 4,172,313 |
| Current portion of charitable gift annuities liability | 424,450 | - | - | 424,450 |
| | 14,279,635 | 183,032 | (178,343) | 14,284,324 |
| Long-term liabilities | 752,597 | - | - | 752,597 |
| Charitable gift annuities liability– net of current portion | 2,512,390 | - | - | 2,512,390 |
| | 17,544,622 | 183,032 | (178,343) | 17,549,311 |

(continued)

FOCUS ON THE FAMILY AND AFFILIATES

Consolidating Statement of Financial Position

September 30, 2019

(continued)

| | Focus on the Family | Affiliates | Eliminations | Total |
|----------------------------------|------------------------|------------|--------------|---------------|
| Net assets: | | | | |
| Without donor restrictions | 37,776,999 | (87,940) | (9,912) | 37,679,147 |
| With donor restrictions: | | | | |
| Restricted by purpose and time | 14,126,676 | 97,852 | - | 14,224,528 |
| Restricted in perpetuity | 241,000 | - | - | 241,000 |
| | 52,144,675 | 9,912 | (9,912) | 52,144,675 |
| Stockholders' equity | - | (677,803) | 677,803 | - |
| Capital investment | - | 750,000 | (750,000) | - |
| Total Liabilities and Net Assets | \$ 69,689,297 | \$ 265,141 | \$ (260,452) | \$ 69,693,986 |

FOCUS ON THE FAMILY AND AFFILIATES

Consolidating Statement of Financial Position

September 30, 2018

| | Focus on the Family | Affiliates | Eliminations | Total |
|--|------------------------|-------------------|---------------------|----------------------|
| ASSETS: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 11,011,849 | \$ 164,759 | \$ - | \$ 11,176,608 |
| Restricted cash | 4,000,000 | - | - | 4,000,000 |
| Accounts receivable–net | 1,002,651 | 31,163 | (194,474) | 839,340 |
| Inventory | 1,122,950 | 59,878 | - | 1,182,828 |
| Pledges receivable | 188,838 | - | - | 188,838 |
| Prepaid expenses | 3,092,207 | - | - | 3,092,207 |
| Investments | 9,039,154 | - | - | 9,039,154 |
| | 29,457,649 | 255,800 | (194,474) | 29,518,975 |
| Property held for investment– net of current portion | 1,528,562 | - | - | 1,528,562 |
| Film production costs–net | 501,097 | - | - | 501,097 |
| Other assets | 2,401,263 | - | - | 2,401,263 |
| Long-term investments | 3,759,170 | - | - | 3,759,170 |
| Investment in subsidiaries | 63,750 | - | (63,750) | - |
| Property and equipment–net | 28,552,056 | - | - | 28,552,056 |
| Endowment assets | 185,500 | - | - | 185,500 |
| | 29,457,649 | 255,800 | (194,474) | 29,518,975 |
| Total Assets | \$ 66,449,047 | \$ 255,800 | \$ (258,224) | \$ 66,446,623 |
| LIABILITIES AND NET ASSETS: | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 4,075,930 | \$ 179,758 | \$ (194,474) | \$ 4,061,214 |
| Accrued expenses | 4,053,205 | 9,792 | - | 4,062,997 |
| Deferred revenue | 3,362,117 | 2,500 | - | 3,364,617 |
| Current portion of charitable gift annuities liability | 402,104 | - | - | 402,104 |
| | 11,893,356 | 192,050 | (194,474) | 11,890,932 |
| Long-term liabilities | 574,103 | - | - | 574,103 |
| Charitable gift annuities liability– net of current portion | 2,500,391 | - | - | 2,500,391 |
| | 14,967,850 | 192,050 | (194,474) | 14,965,426 |

(continued)

FOCUS ON THE FAMILY AND AFFILIATES

Consolidating Statement of Financial Position

September 30, 2018

(continued)

| | Focus on the Family | Affiliates | Eliminations | Total |
|----------------------------------|------------------------|------------|--------------|---------------|
| Net assets: | | | | |
| Without donor restrictions | 38,980,960 | (3,956) | 3,956 | 38,980,960 |
| With donor restrictions: | | | | |
| Restricted by purpose and time | 12,409,237 | - | - | 12,409,237 |
| Restricted in perpetuity | 91,000 | - | - | 91,000 |
| | 51,481,197 | (3,956) | 3,956 | 51,481,197 |
| Stockholders' equity, net | - | (682,294) | 682,294 | - |
| Capital investment | - | 750,000 | (750,000) | - |
| Total Liabilities and Net Assets | \$ 66,449,047 | \$ 255,800 | \$ (258,224) | \$ 66,446,623 |

FOCUS ON THE FAMILY AND AFFILIATES

Consolidating Statement of Activities

Year Ended September 30, 2019

| | Focus on the Family | | | Affiliates | | | Eliminations | Grand Total |
|----------------------------------|-------------------------------|----------------------------|-------------------|-------------------------------|----------------------------|----------------|-----------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | | |
| SUPPORT AND REVENUE: | | | | | | | | |
| Contributions | \$ 54,539,174 | \$ 28,094,746 | \$ 82,633,920 | \$ 15,342 | \$ 172,000 | \$ 187,342 | \$ - | \$ 82,821,262 |
| Sales | 8,502,350 | - | 8,502,350 | 40,616 | - | 40,616 | - | 8,542,966 |
| Royalty and licensing revenue | 1,948,144 | - | 1,948,144 | 10,822 | - | 10,822 | - | 1,958,966 |
| Investment income | 293,702 | - | 293,702 | - | - | - | - | 293,702 |
| Event revenue | 4,488,932 | - | 4,488,932 | - | - | - | - | 4,488,932 |
| Change in value of annuities | (61,651) | - | (61,651) | - | - | - | - | (61,651) |
| Earnings of subsidiaries | 18,359 | - | 18,359 | - | - | - | (18,359) | - |
| Loss from joint ventures | (513,983) | - | (513,983) | - | - | - | - | (513,983) |
| Other revenue | 1,675,619 | - | 1,675,619 | - | - | - | - | 1,675,619 |
| Total Support and Revenue | 70,890,646 | 28,094,746 | 98,985,392 | 66,780 | 172,000 | 238,780 | (18,359) | 99,205,813 |
| NET ASSETS RELEASED: | | | | | | | | |
| Time restrictions | 269,513 | (269,513) | - | - | - | - | - | - |
| Purpose restrictions | 25,957,794 | (25,957,794) | - | 74,148 | (74,148) | - | - | - |
| Total Net Assets Released | 26,227,307 | (26,227,307) | - | 74,148 | (74,148) | - | - | - |
| EXPENSES: | | | | | | | | |
| Program services: | | | | | | | | |
| Marriage | 21,184,465 | - | 21,184,465 | - | - | - | - | 21,184,465 |
| Parenting | 27,280,020 | - | 27,280,020 | 209,203 | - | 209,203 | - | 27,489,223 |
| Evangelism and discipleship | 19,375,157 | - | 19,375,157 | 712 | - | 712 | - | 19,375,869 |
| Advocacy | 12,298,967 | - | 12,298,967 | 4,084 | - | 4,084 | - | 12,303,051 |
| Citizenship | 3,885,947 | - | 3,885,947 | - | - | - | - | 3,885,947 |
| | 84,024,556 | - | 84,024,556 | 213,999 | - | 213,999 | - | 84,238,555 |
| Supporting activities: | | | | | | | | |
| General and administrative | 7,439,137 | - | 7,439,137 | 6,422 | - | 6,422 | - | 7,445,559 |
| Fund-raising | 6,858,221 | - | 6,858,221 | - | - | - | - | 6,858,221 |
| Total Expenses | 98,321,914 | - | 98,321,914 | 220,421 | - | 220,421 | - | 98,542,335 |
| Change in Net Assets | (1,203,961) | 1,867,439 | 663,478 | (79,493) | 97,852 | 18,359 | (18,359) | 663,478 |
| Net Assets, Beginning of Year | 38,980,960 | 12,500,237 | 51,481,197 | 63,750 | - | 63,750 | (63,750) | 51,481,197 |
| Net Assets, End of Year | \$ 37,776,999 | \$ 14,367,676 | \$ 52,144,675 | \$ (15,743) | \$ 97,852 | \$ 82,109 | \$ (82,109) | \$ 52,144,675 |

FOCUS ON THE FAMILY AND AFFILIATES

Consolidating Statement of Activities

Year Ended September 30, 2018

| | Focus on the Family | | | Affiliates | | | Eliminations | Grand Total |
|----------------------------------|-------------------------------|----------------------------|-------------------|-------------------------------|----------------------------|----------------|----------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | | |
| SUPPORT AND REVENUE: | | | | | | | | |
| Contributions | \$ 56,922,059 | \$ 18,816,709 | \$ 75,738,768 | \$ 70,775 | \$ - | \$ 70,775 | \$ - | \$ 75,809,543 |
| Sales | 8,562,608 | - | 8,562,608 | 54,960 | - | 54,960 | - | 8,617,568 |
| Royalty and licensing revenue | 1,939,023 | - | 1,939,023 | 93,442 | - | 93,442 | - | 2,032,465 |
| Investment income | (82,359) | - | (82,359) | - | - | - | - | (82,359) |
| Event revenue | 8,740,101 | - | 8,740,101 | - | - | - | - | 8,740,101 |
| Change in value of annuities | 237,936 | - | 237,936 | - | - | - | - | 237,936 |
| Earnings of subsidiaries | 5,311 | - | 5,311 | - | - | - | (5,311) | - |
| Income from joint ventures | 639,947 | - | 639,947 | - | - | - | - | 639,947 |
| Other revenue | 2,284,879 | - | 2,284,879 | - | - | - | - | 2,284,879 |
| Total Support and Revenue | 79,249,505 | 18,816,709 | 98,066,214 | 219,177 | - | 219,177 | (5,311) | 98,280,080 |
| NET ASSETS RELEASED: | | | | | | | | |
| Time restrictions | 200,575 | (200,575) | - | - | - | - | - | - |
| Purpose restrictions | 14,321,122 | (14,321,122) | - | - | - | - | - | - |
| Total Net Assets Released | 14,521,697 | (14,521,697) | - | - | - | - | - | - |
| EXPENSES: | | | | | | | | |
| Program services: | | | | | | | | |
| Marriage | 26,792,746 | - | 26,792,746 | - | - | - | - | 26,792,746 |
| Parenting | 28,687,894 | - | 28,687,894 | 165,608 | - | 165,608 | - | 28,853,502 |
| Evangelism and discipleship | 17,374,239 | - | 17,374,239 | 652 | - | 652 | - | 17,374,891 |
| Advocacy | 7,532,256 | - | 7,532,256 | 41,098 | - | 41,098 | - | 7,573,354 |
| Citizenship | 4,129,320 | - | 4,129,320 | - | - | - | - | 4,129,320 |
| | 84,516,455 | - | 84,516,455 | 207,358 | - | 207,358 | - | 84,723,813 |
| Supporting activities: | | | | | | | | |
| General and administrative | 7,676,137 | - | 7,676,137 | 6,508 | - | 6,508 | - | 7,682,645 |
| Fund-raising | 6,975,006 | - | 6,975,006 | - | - | - | - | 6,975,006 |
| Total Expenses | 99,167,598 | - | 99,167,598 | 213,866 | - | 213,866 | - | 99,381,464 |
| Change in Net Assets | (5,396,396) | 4,295,012 | (1,101,384) | 5,311 | - | 5,311 | (5,311) | (1,101,384) |
| Net Assets, Beginning of Year | 44,377,356 | 8,205,225 | 52,582,581 | 58,439 | - | 58,439 | (58,439) | 52,582,581 |
| Net Assets, End of Year | \$ 38,980,960 | \$ 12,500,237 | \$ 51,481,197 | \$ 63,750 | \$ - | \$ 63,750 | \$ (63,750) | \$ 51,481,197 |