FAMILYLIFE

Help for today. Hope for tomorrow.

FAMILYLIFE a d/b/a of FLTI,
a SUBSIDIARY OF CRU GLOBAL. INC.

Consolidated Financial Statements
With Independent Auditors' Report

August 31, 2016 and 2015

CAPINCROUSE LLP

FAMILYLIFE

a d/b/a of FLTI, a subsidiary of CRU Global, Inc.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
FAMILYLIFE
 a d/b/a of FLTI, a subsidiary of CRU Global, Inc.
Little Rock, Arkansas

We have audited the accompanying consolidated financial statements of FAMILYLIFE, a d/b/a of FLTI, a subsidiary of CRU Global, Inc., (FamilyLife) and wholly owned for-profit subsidiary as of August 31, 2016 and 2015, and the related consolidated statements of activities 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.

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Board of Directors
FAMILYLIFE
a d/b/a of FLTI, a subsidiary of CRU Global, Inc.
Little Rock, Arkansas

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FamilyLife, as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements are that of FamilyLife under common control with CRU Global, Inc. as described in Note 1, and are not that of the primary reporting entity.

Capin Crouse LLP

Dallas, Texas
December 12, 2016

FAMILYLIFE
a d/b/a of FLTI, a subsidiary of CRU Global, Inc.

Consolidated Statements of Financial Position

	August 31, 2016	August 31, 2015
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 3,655,284	$ 4,071,057
Accounts receivable–net	216,570	271,688
Inventory–net	1,745,017	2,081,668
Prepaid expenses	1,828,166	193,040
	7,445,037	6,617,453
Property and equipment:		
Land and land improvements	1,481,000	1,481,000
Buildings and improvements	8,902,577	8,831,898
Equipment and furniture	6,472,449	6,769,135
	16,856,026	17,082,033
Accumulated depreciation	(8,391,508)	(8,681,219)
	8,464,518	8,400,814
Total Assets	$ 15,909,555	$ 15,018,267
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	$ 930,793	$ 568,164
Accrued expenses	672,130	664,271
Deferred revenue	2,848,283	2,929,298
	4,451,206	4,161,733
Net assets:		
Unrestricted	11,095,530	10,328,541
Temporarily restricted	362,819	527,993
	11,458,349	10,856,534
Total Liabilities and Net Assets	$ 15,909,555	$ 15,018,267

See notes to consolidated financial statements

FAMILYLIFE

a d/b/a of FLTI, a subsidiary of CRU Global, Inc.

Consolidated Statements of Activities

	Year Ended August 31,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	$ 12,379,622	$ 1,077,004	$ 13,456,626	$ 13,550,447	$ 1,007,371	$ 14,557,818
Contributed services	12,511,955	-	12,511,955	12,930,427	-	12,930,427
Sales–net	5,101,772	-	5,101,772	5,970,020	-	5,970,020
Conference fees	7,657,204	-	7,657,204	6,291,320	-	6,291,320
Donated radio airtime	1,261,000	-	1,261,000	1,209,000	-	1,209,000
Other income	1,649,368	-	1,649,368	1,060,297	-	1,060,297
Total Support and Revenue	40,560,921	1,077,004	41,637,925	41,011,511	1,007,371	42,018,882
NET ASSETS RELEASED:						
Purpose restrictions	1,242,178	(1,242,178)	-	1,395,030	(1,395,030)	-
EXPENSES:						
Program services	35,079,258	-	35,079,258	34,479,390	-	34,479,390
Supporting activities:						
Management and general	2,238,843	-	2,238,843	2,733,105	-	2,733,105
Fund-raising	3,718,009	-	3,718,009	3,697,952	-	3,697,952
	5,956,852	-	5,956,852	6,431,057	-	6,431,057
Total Expenses	41,036,110	-	41,036,110	40,910,447	-	40,910,447
Change in Net Assets	766,989	(165,174)	601,815	1,496,094	(387,659)	1,108,435
Net Assets:						
Beginning of Year	10,328,541	527,993	10,856,534	8,832,447	915,652	9,748,099
End of Year	$ 11,095,530	$ 362,819	$ 11,458,349	$ 10,328,541	$ 527,993	$ 10,856,534

See notes to consolidated financial statements

FAMILYLIFE
a d/b/a of FLTI, a subsidiary of CRU Global, Inc.

Consolidated Statements of Cash Flows

	Year Ended August 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 601,815	$ 1,108,435
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	699,619	673,979
Bad debt expense	163,209	101,805
Loss on disposal of property and equipment	14,986	-
Net change in operating assets and liabilities:		
Accounts receivable	(108,091)	131,843
Inventory	336,651	725,470
Prepaid expenses	(1,635,126)	33,542
Accounts payable	362,629	(514,671)
Accrued expenses	7,859	299,768
Related party payable	-	(449,649)
Deferred income	(81,015)	920,506
Net Cash Provided by Operating Activities	362,536	3,031,028
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(779,409)	(304,668)
Proceeds from disposal of property and equipment	1,100	-
Net Cash Used by Investing Activities	(778,309)	(304,668)
Net Change in Cash and Cash Equivalents	(415,773)	2,726,360
Cash and Cash Equivalents, Beginning of Year	4,071,057	1,344,697
Cash and Cash Equivalents, End of Year	$ 3,655,284	$ 4,071,057
SUPPLEMENTAL DISCLOSURE:		
Property and equipment acquired through accounts payable	$ -	$ 27,768

See notes to consolidated financial statements

1. NATURE OF ORGANIZATION:

FAMILYLIFE, a d/b/a of FLTI, a subsidiary of CRU Global, Inc. (FamilyLife), is a Christian ministry that seeks to effectively develop Godly marriages and families who change the world one home at a time. FamilyLife's vision is to make every home a Godly home. FamilyLife seeks to accomplish this goal through providing a variety of activities and resources to the public, including marriage and parenting conferences/events, a growing number of broadcasts, global outreach ministry, publishing, and a strong presence on the Worldwide Web.

FamilyLife is a nonprofit, religious corporation organized under Arkansas law, a subsidiary of CRU Global, Inc. (Cru). As an integrated auxiliary of Cru, FamilyLife is exempt from federal income taxation under Cru's group exemption ruling within section 501(c)(3) of the Internal Revenue Code. There are approximately 263 employees of Cru that are seconded to FamilyLife by Cru, 149 of whom are deputized and members of the Cru Religious Missionary Order.

FamilyLife operates throughout the United States of America and provides training and resources to Cru family ministries all around the world. Its primary sources of revenue include individual contributions, sales of published resources, and registration fees received from attendees at FamilyLife events.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of FamilyLife have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. A summary of significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the balances and financial activities of FamilyLife and its affiliated subsidiary, which is a wholly owned for-profit subsidiary. All inter-entity accounts and transactions have been eliminated.

CASH AND CASH EQUIVALENTS

Cash equivalents are defined as short-term, highly liquid debt securities that are both readily convertible to cash and have an original maturity of three months or less. FamilyLife maintains cash and cash equivalents in financial institutions which may, at times, exceed federally insured limits. FamilyLife has not experienced any losses on such accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE–NET

Accounts receivable–net are amounts due from organizations and companies who sell FamilyLife products. For the years ended August 31, 2016 and 2015, the allowance for doubtful accounts was $152,907 and $15,745, respectively, and is calculated based on a history of past write-offs of accounts receivable. Individual accounts receivable are written off against the allowance when all methods of collection have been exhausted. Accounts receivable are generally considered past due when payment has not been received within the extended credit term limits.

INVENTORY–NET

Inventory is stated at the lower of cost or market using the weighted average cost method, which approximates the first-in, first-out method, and is shown net of a reserve of $307,972 and $139,693 as of August 31, 2016 and 2015, respectively. Inventory consists primarily of books, study guides, CD's, DVD's, teaching aides, relational resource packs, work-in-process costs, and other similar items related to the ministry of FamilyLife. Related inventory product development costs, such as the design and creation, are included in inventory and expensed as cost of goods sold when the sale occurs. The cost of goods sold is determined based on the estimated life of the product.

PROPERTY AND EQUIPMENT

Property and equipment purchased in excess of $2,500 with a useful life in excess of one year are capitalized is stated at cost or, if donated, at the estimated fair market value at the date of donation. Property and equipment donated with restrictions regarding their use and contributions of cash to acquire property and equipment are reported as restricted support. The restriction is considered to be met when the property or equipment is placed in service. Depreciation is recorded using the straight-line method over the estimated useful lives, ranging from three to forty years.

NET ASSETS

The net assets of FamilyLife have been reported in the following classes:

Unrestricted net assets include resources that are currently available at the discretion of the board of directors for use in operations. Equity in property and equipment represents amounts invested in property and equipment, net of accumulated depreciation.

Temporarily restricted net assets are contributed with donor stipulations for specific operating purposes or programs, time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Revenue is recognized when earned and support when contributions are made, which may be when cash or unconditional promises are made or received. Contributions restricted by the donor for a specific purpose are recorded as temporarily restricted support. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from purpose restrictions. Temporarily restricted contributions are subject to assessments of 13%, which are used by Cru to support ministry activities. In addition, during the year ended August 31, 2015, an additional assessment of 12% was added, which was used to support the ministry activities at FamilyLife. This additional assessment was discontinued for the year ended August 31, 2016. For the years ended August 31, 2016 and 2015, total assessments amounted to $138,567 and $232,282, respectively.

Conference fees, which includes conferences held on a cruise, are recorded as deferred revenue when cash is received and recognized as revenue at the time the conference is held. Unredeemed gift certificates are recognized as deferred revenue until the gift cards are redeemed or expire. Sales revenues are recognized when the product is delivered to the customer. Sales are recorded net of sales discounts, returns, and allowances. Total sales discounts, returns, and allowances for the years ended August 31, 2016 and 2015, were $252,143 and $260,234, respectively. For the years ended August 31, 2016 and 2015, shipping and handling costs incurred was approximately $873,000 and $893,000, respectively. These costs are included cost of sales which is in program services on the consolidated statements of activities.

In connections with sales of products, FamilyLife recognized sales tax expense of $67,332 and $104,519 during the years ended August 31, 2016 and 2015, respectively.

EXPENSES

The costs of providing various program services and supporting activities of FamilyLife have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs, such as occupancy costs, depreciation, and payroll, have been allocated among the program services and supporting activities benefited.

For the years ended August 31, 2016 and 2015, advertising costs were $1,149,221 and $1,392,696, respectively, and are expensed when incurred. While 99.9% of these costs are directly associated with program services, 62.6% and 67.7% were allocated to general and administrative costs on the schedule of consolidated functional expenses to comply with accounting principals generally accepted in the United States of America for the years ended August 31, 2016 and 2015, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF JOINT COSTS
FamilyLife has adopted the *Not-for-Profit* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). This topic requires all costs which contain any fund-raising appeal to be allocated to fund-raising unless all of the following three tests are met: purpose, audience, and content.

FamilyLife incurs costs for activities such as the publication of newsletters and appeal letters that include fund-raising components. These costs are referred to as joint costs and are allocated to program activities and fund-raising. Joint cost allocations are:

	Year Ended August 31,	
	2016	2015
Program activities	$ 417,908	$ 387,600
Fund-raising activities	953,011	1,035,312
	$ 1,370,919	$ 1,422,912

CONTRIBUTED SERVICES
The *Not-for-Profit* topic of the FASB ASC, requires recording the value of donated services that create or enhance nonfinancial assets or require specialized skills. For the years ended August 31, 2016 and 2015, FamilyLife received $12,911,955 and $12,930,427, respectively, of seconded missionary staff services from Cru that met these requirements, which are recorded based on the actual costs incurred by Cru.

3. LINE OF CREDIT:
On August 19, 2013, FamilyLife was issued a line of credit from Cru in the amount of $2,000,000 which was extended and matured on January 31, 2015, and has not been renewed. Interest was at one-month LIBOR plus 1.75%.

4. DEFERRED REVENUE

Deferred revenue consists of:

	August 31,	
	2016	2015
Cruise conference	$ 1,830,246	$ 2,027,542
General conferences	471,802	432,947
Unredeemed gift certificates	495,236	393,103
Other	50,999	75,706
	$ 2,848,283	$ 2,929,298

5. UNRESTRICTED NET ASSETS:

Unrestricted net assets consist of:

	August 31,	
	2016	2015
Equity in property and equipment	$ 8,464,518	$ 8,400,814
Unrestricted and undesignated, available for operations	2,631,012	1,927,727
	$ 11,095,530	$ 10,328,541

6. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	September 1, 2015	Contributions	Net assets released	August 31, 2016
Scholarships	$ 232,975	$ 106,342	$ (325,322)	$ 13,995
Media projects	242,213	465,809	(417,409)	290,613
Other projects	52,805	504,853	(499,447)	58,211
	$ 527,993	$ 1,077,004	$ (1,242,178)	$ 362,819

	September 1, 2014	Contributions	Net assets released	August 31, 2015
Scholarships	$ 601,922	$ 105,887	$ (474,834)	$ 232,975
Media projects	168,582	531,930	(458,299)	242,213
Hope for Orphans	34,204	44,582	(78,786)	-
Other projects	110,944	324,972	(383,111)	52,805
	$ 915,652	$ 1,007,371	$ (1,395,030)	$ 527,993

7. COMMITMENTS:

As part of its ministry, FamilyLife holds events and conferences in support of marriage and families including a cruise conference. Many of these events require long-term financial commitments, including the prepayment of expenses and deposits. Prepaid event expenses and deposits for conferences to be held in the subsequent fiscal years totaled $1,691,031 and $39,830 as of August 31, 2016 and 2015, respectively. FamilyLife entered into a contract for the cruise in 2017, which includes a commitment for the remaining balance of approximately $364,000 to be paid during the year ended August 31, 2017. In addition, FamilyLife entered into a contract for the cruise in 2018, which includes a total commitment of $1,900,000, of which approximately $188,000 had been paid during the year ended August 31, 2016. Approximately $1,200,000 and $470,000 is due during the years ended August 31, 2017 and 2018, respectively.

7. COMMITMENTS, continued:

FamilyLife entered into a new non-cancelable operating lease agreement for office equipment in 2016 that expires January 2021. Total rental payments for this equipment lease during the year ending August 31, 2016, was approximately $35,000. In addition, FamilyLife leases inventory warehouse space under 90 day cancellation lease agreement that expires April 15, 2018. Total rental and lease payments for the inventory warehouse space and office equipment during the years ended August 31, 2016 and 2015, were approximately $62,000 and $68,000, respectively. Future minimum lease payments under noncancelable operating leases are:

Year Ending August 31,		
2017	$	52,884
2018		52,884
2019		52,884
2020		52,884
2021		17,628
	$	229,164

8. RELATED PARTY TRANSACTIONS:

During the years ended August 31, 2016 and 2015, FamilyLife received $54,948 and $395,260, respectively, of contributions designated for FamilyLife projects that were raised and received by Cru and its affiliates. In addition, FamilyLife received $850,000 from Cru for general operations during the years ended August 31, 2016 and 2015, which is included in other income on the consolidated statements of activities. FamilyLife contributed $129,355 and $174,803 to Cru and its affiliates during the years ended August 31, 2016 and 2015, respectively.

Cru receives and processes contributions for FamilyLife, charging a minimal assessment. In addition, Cru pays various operating expenses for FamilyLife, including payroll. Funds are transferred between FamilyLife and Cru for these items. As of August 31, 2016 and 2015, amounts due to Cru were $197,762 and $326,415, respectively, and amounts due from Cru were $91,426 and $46,118, respectively.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
FAMILYLIFE
a d/b/a of FLTI, a subsidiary of CRU Global, Inc.
Little Rock, Arkansas

We have audited the consolidated financial statements of FAMILYLIFE, a d/b/a of FLTI, a subsidiary of CRU Global, Inc. (FamilyLife) as of and for the years ended August 31, 2016 and 2015, and have issued our report thereon dated December 12, 2016, which expresses 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 schedule of consolidated functional expenses on page 13 is presented for purposes of additional analysis and 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 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

Dallas, Texas
December 12, 2016

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FAMILYLIFE
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Schedule of Consolidated Functional Expenses

Year Ended August 31, 2016

	Program Services						Supporting Activities		
	Events	Broadcasting	Connecting Resources	Global Outreach	Digital Outreach	Program Services Total	Management and General	Fund-Raising	Total
Salaries and benefits	$ 6,301,882	$ 1,723,278	$ 6,953,834	$ 892,197	$ 1,816,203	$ 17,687,393	$ 1,065,769	$ 1,646,845	$ 20,400,007
Media	55,907	4,958,279	54,753	141,823	9,955	5,220,717	6,192	97,217	5,324,126
Services	919,988	297,759	273,925	26,150	82,966	1,600,788	70,963	1,161,893	2,833,644
Occupancy	2,339,471	33,876	107,248	34,781	10,654	2,526,030	26,521	44,355	2,596,906
Travel and entertainment	1,050,765	108,960	569,714	138,038	66,099	1,933,576	24,630	242,985	2,201,191
Cost of sales	343,790	-	1,316,969	-	-	1,660,759	-	-	1,660,759
Communication	553,750	183,113	256,670	26,945	65,253	1,085,731	27,199	303,165	1,416,095
Promotion and advertising	327,635	102,377	-	-	-	430,012	719,209	-	1,149,221
Technology	181,003	131,151	167,983	13,177	219,373	712,687	46,433	32,819	791,939
Depreciation expense	201,071	160,391	167,954	15,916	49,344	594,676	62,966	41,977	699,619
Supplies	270,958	26,510	94,618	31,089	12,436	435,611	9,464	43,429	488,504
Other expenses	453,490	258,202	255,979	66,954	156,653	1,191,278	179,497	103,324	1,474,099
Total	$ 12,999,710	$ 7,983,896	$ 10,219,647	$ 1,387,070	$ 2,488,936	$ 35,079,258	$ 2,238,843	$ 3,718,009	$ 41,036,110