

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

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June 30, 2022 and 2021

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Independent Auditor's Report

Board of Trustees
Mid-South Public Communications Foundation
Cordova, Tennessee

Opinion

We have audited the accompanying financial statements of Mid-South Public Communications Foundation (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid-South Public Communications Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mid-South Public Communications Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mid-South Public Communications Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mid-South Public Communications Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mid-South Public Communications Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenue, support and expenses for television and radio, as required by the financial reporting guidelines of the Corporation for Public Broadcasting ("CPB"), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Memphis, Tennessee
December 13, 2022

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Statements of Financial Position

June 30, 2022 and 2021

ASSETS		<u>2022</u>	<u>2021</u>
Cash and cash equivalents		\$ 2,804,378	\$ 2,250,377
Accounts receivable, net		73,140	79,038
Bequests receivable		114,971	129,938
Grants receivable		43,875	419,266
Other assets		21,137	17,353
Investments		2,194,764	2,095,644
Property and equipment, net		7,588,219	7,627,691
Assets held for sale, net		<u>53,763</u>	<u>53,763</u>
Total assets		<u><u>\$ 12,894,247</u></u>	<u><u>\$ 12,673,070</u></u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses		\$ 54,913	\$ 117,569
Deferred revenue, antenna leases		<u>-</u>	<u>4,532</u>
Total liabilities		<u>54,913</u>	<u>122,101</u>
Net assets			
Without donor restrictions		10,957,839	10,456,360
With donor restrictions			
Purpose		775,433	988,547
In perpetuity		<u>1,106,062</u>	<u>1,106,062</u>
Total net assets		<u>12,839,334</u>	<u>12,550,969</u>
Total liabilities and net assets		<u><u>\$ 12,894,247</u></u>	<u><u>\$ 12,673,070</u></u>

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Statements of Activities

For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions		
		Purpose	In Perpetuity	Total
Revenues and support				
Contributions	\$ 2,853,061	\$ -	\$ -	\$ 2,853,061
CPB community service grants	989,938	-	-	989,938
State of Tennessee grant	430,793	-	-	430,793
Federal grants	130,500	-	-	130,500
Production and royalty revenues	86,772	-	-	86,772
Education revenue	19,625	-	-	19,625
Underwriting	480,746	-	-	480,746
Special events	17,610	-	-	17,610
Net investment loss	(76,054)	(213,114)	-	(289,168)
In-kind contributions	11,276	-	-	11,276
Antenna income	391,245	-	-	391,245
Other revenues and support	90,930	-	-	90,930
	<u>5,426,442</u>	<u>(213,114)</u>	<u>-</u>	<u>5,213,328</u>
Total revenues and support				
	5,426,442	(213,114)	-	5,213,328
Reclassifications				
Net assets released from restriction	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and support and reclassifications	<u>5,426,442</u>	<u>(213,114)</u>	<u>-</u>	<u>5,213,328</u>
Expenses				
Program services	3,527,408	-	-	3,527,408
Supporting services	1,397,555	-	-	1,397,555
	<u>4,924,963</u>	<u>-</u>	<u>-</u>	<u>4,924,963</u>
Total expenses				
	4,924,963	-	-	4,924,963
Change in net assets	501,479	(213,114)	-	288,365
Net assets, beginning of year	10,456,360	988,547	1,106,062	12,550,969
Net assets, end of year	<u>\$ 10,957,839</u>	<u>\$ 775,433</u>	<u>\$ 1,106,062</u>	<u>\$ 12,839,334</u>

See accompanying notes to the financial statements.

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Statements of Activities (continued)

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions		
		Purpose	In Perpetuity	Total
Revenues and support				
Contributions	\$ 2,547,621	\$ -	\$ -	\$ 2,547,621
CPB community service grants	1,618,499	-	-	1,618,499
State of Tennessee grant	430,793	-	-	430,793
Federal grants	201,595	-	-	201,595
Production and royalty revenues	171,215	750,000	-	921,215
Education revenue	12,500	-	-	12,500
Underwriting	382,471	-	-	382,471
Special events	12,361	-	-	12,361
Net investment income	98,324	232,420	58,105	388,849
In-kind contributions	13,394	-	-	13,394
Antenna income	379,745	-	-	379,745
Other revenues and support	261,439	-	-	261,439
	<u>6,129,957</u>	<u>982,420</u>	<u>58,105</u>	<u>7,170,482</u>
Total revenues and support				
	6,129,957	982,420	58,105	7,170,482
Reclassifications				
Net assets released from restriction	50,000	(50,000)	-	-
	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Total revenues and support and reclassifications	<u>6,179,957</u>	<u>932,420</u>	<u>58,105</u>	<u>7,170,482</u>
Expenses				
Program services	3,769,000	-	-	3,769,000
Supporting services	1,360,643	-	-	1,360,643
	<u>5,129,643</u>	<u>-</u>	<u>-</u>	<u>5,129,643</u>
Total expenses				
	5,129,643	-	-	5,129,643
Change in net assets	1,050,314	932,420	58,105	2,040,839
Net assets, beginning of year	9,406,046	56,127	1,047,957	10,510,130
Net assets, end of year	<u>\$ 10,456,360</u>	<u>\$ 988,547</u>	<u>\$ 1,106,062</u>	<u>\$ 12,550,969</u>

See accompanying notes to the financial statements.

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Statements of Functional Expenses

For the year ended June 30, 2022

	Program Services					Supporting Services			Total
	FM Radio	TV Programs and Production	Broadcast	Program Information and Promotion	Sub - Total	Development	Management and General	Sub - Total	
Salaries, payroll taxes and employee benefits	\$ 335,891	\$ 478,766	\$ 408,824	\$ 104,913	\$ 1,328,394	\$ 356,539	\$ 365,767	\$ 722,306	\$ 2,050,700
Program acquisition	435,957	773,588	-	-	1,209,545	-	-	-	1,209,545
Depreciation	44,278	75,397	102,155	5,150	226,980	30,597	27,203	57,800	284,780
Printing	-	2,204	-	-	2,204	-	-	-	2,204
Affiliation dues	10	59,941	175	-	60,126	-	3,767	3,767	63,893
Utilities	-	-	297,273	-	297,273	-	-	-	297,273
Communications	11,300	1,876	24,247	1,126	38,549	2,892	31,469	34,361	72,910
Maintenance and repairs	35,176	-	67,811	-	102,987	-	47,103	47,103	150,090
Advertising and promotion	-	-	-	3,141	3,141	-	-	-	3,141
Tools, props and supplies	15,627	25,907	1,297	7,076	49,907	35,235	27,323	62,558	112,465
Special events	-	-	-	-	-	929	-	929	929
Direct mail	-	-	-	-	-	92,506	-	92,506	92,506
Provision for doubtful pledges and othe	-	-	-	-	-	-	5,212	5,212	5,212
Insurance, general	15,718	25,552	15,403	2,108	58,781	12,525	11,136	23,661	82,442
Professional services	13,926	23,970	49,505	-	87,401	46,402	132,449	178,851	266,252
Premiums	-	-	-	-	-	92,444	-	92,444	92,444
Grant and contract production	-	40,345	-	-	40,345	-	-	-	40,345
Travel	715	2,505	323	-	3,543	86	3,148	3,234	6,777
Rent, facilities	18,232	-	-	-	18,232	-	-	-	18,232
Bank fees	-	-	-	-	-	63,685	9,138	72,823	72,823
Total expenses	<u>\$ 926,830</u>	<u>\$ 1,510,051</u>	<u>\$ 967,013</u>	<u>\$ 123,514</u>	<u>\$ 3,527,408</u>	<u>\$ 733,840</u>	<u>\$ 663,715</u>	<u>\$ 1,397,555</u>	<u>\$ 4,924,963</u>

See accompanying notes to the financial statements.

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Statements of Functional Expenses (continued)

For the year ended June 30, 2021

	Program Services					Supporting Services			Total
	FM Radio	TV Programs and Production	Broadcast	Program Information and Promotion	Sub - Total	Development	Management and General	Sub - Total	
Salaries, payroll taxes and employee benefits	\$ 393,171	\$ 481,710	\$ 404,485	\$ 100,444	\$ 1,379,810	\$ 304,459	\$ 435,185	\$ 739,644	\$ 2,119,454
Program acquisition	449,023	806,416	-	-	1,255,439	-	-	-	1,255,439
Depreciation	45,852	71,733	94,658	4,963	217,206	26,600	28,210	54,810	272,016
Printing	-	2,300	-	-	2,300	2,613	-	2,613	4,913
Affiliation dues	-	61,279	-	-	61,279	-	1,497	1,497	62,776
Utilities	-	-	301,851	-	301,851	-	-	-	301,851
Communications	14,397	4,644	29,233	1,447	49,721	2,980	29,852	32,832	82,553
Maintenance and repairs	57,649	-	167,894	-	225,543	-	51,668	51,668	277,211
Advertising and promotion	-	-	-	9,000	9,000	-	-	-	9,000
Tools, props, and supplies	15,900	21,501	939	5,548	43,888	23,547	19,462	43,009	86,897
Special events	-	-	-	-	-	4,727	-	4,727	4,727
Direct mail	-	-	-	-	-	97,068	-	97,068	97,068
Insurance, general	15,700	22,831	13,938	1,807	54,276	9,684	10,272	19,956	74,232
Professional services	12,563	36,664	42,628	-	91,855	3,962	113,452	117,414	209,269
Premiums	-	-	-	-	-	123,888	-	123,888	123,888
Grant and contract production	-	54,095	-	-	54,095	-	-	-	54,095
Travel	938	2,607	1,491	-	5,036	956	856	1,812	6,848
Rent, facilities	17,701	-	-	-	17,701	-	-	-	17,701
Bank fees	-	-	-	-	-	59,852	9,853	69,705	69,705
Total expenses	<u>\$ 1,022,894</u>	<u>\$ 1,565,780</u>	<u>\$ 1,057,117</u>	<u>\$ 123,209</u>	<u>\$ 3,769,000</u>	<u>\$ 660,336</u>	<u>\$ 700,307</u>	<u>\$ 1,360,643</u>	<u>\$ 5,129,643</u>

See accompanying notes to the financial statements.

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Statements of Cash Flows

For the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities		
Change in net assets	\$ 288,365	\$ 2,040,839
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	284,780	272,016
Unrealized (gain) loss on investments	422,233	(281,056)
Realized gain on investments	(94,297)	(82,951)
Contributions and investment income restricted for long-term purposes	-	(58,105)
Changes in operating assets and liabilities:		
Accounts receivable	5,898	36,535
Bequests receivable	14,967	85,186
Grants receivable	375,391	(413,104)
Other assets	(3,784)	1,593
Accounts payable and accrued expenses	(62,656)	46,183
Deferred revenue	(4,532)	(6,000)
Net cash provided by operating activities	<u>1,226,365</u>	<u>1,641,136</u>
Investing activities		
Purchases of investments	(737,635)	(135,220)
Proceeds from the sale of investments	310,579	92,135
Purchases of property and equipment	(245,308)	(107,296)
Net cash used in investing activities	<u>(672,364)</u>	<u>(150,381)</u>
Financing activities		
Proceeds from contributions and investment income restricted for:		
Investment in permanent endowment	-	58,105
Net cash provided by financing activities	<u>-</u>	<u>58,105</u>
Change in cash and cash equivalents	554,001	1,548,860
Cash and cash equivalents, beginning of year	<u>2,250,377</u>	<u>701,517</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,804,378</u></u>	<u><u>\$ 2,250,377</u></u>

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Notes to the Financial Statements

June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies

Organization

Mid-South Public Communications Foundation (the "Foundation") is a not-for-profit institution organized for the purpose of furthering educational needs of the community through the generation of noncommercial educational television (WKNO-TV) and radio stations (WKNO-FM and WKNP-FM).

Basis of Accounting

The accompanying financial statements have been prepared in accordance with the accrual basis of accounting. Under this basis of accounting, revenues and support are recognized in the period earned and expenses are recognized when incurred.

Financial Statement Presentation

Under accounting standards for not-for-profit organizations, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be met in perpetuity.

Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three month or less to be cash equivalents.

Accounts Receivable

The Foundation records accounts receivable at their estimated net realizable value. An allowance for doubtful accounts is recorded based upon management's estimate of uncollectible accounts, determined by analysis of specific accounts and general reserve based upon aging of outstanding balances. Past due balances of delinquent receivables are charged against the allowance when they are determined to be uncollectible by management. The Foundation does not recognize interest income on outstanding receivables. The allowance for doubtful accounts was \$6,866 as of June 30, 2022 and 2021.

Investments

Investments in marketable debt and equity securities are measured at fair value. Investment gains and losses are reported as increases or decreases in unrestricted net assets, unless otherwise restricted by donors. Investment gains restricted by donors are reported as increases in net assets with donor restrictions (purpose or in perpetuity) depending on the nature of the restriction.

Note 1 – Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establish the framework for a fair value hierarchy. The fair value hierarchy gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data (Level 2), and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability in an orderly transaction.

Property, Equipment, and Depreciation

Property and equipment are stated at estimated fair value at the date of the contribution, if contributed, or at acquisition cost, if purchased. Donations of property and equipment are recorded as contributions without donor restrictions at the date of donation unless the donor has restricted the donated asset to a specific purpose. Major renewals and betterments that extend the useful lives of assets are also recorded at cost. Expenditures for normal repair and maintenance are expensed as they occur. Depreciation is determined using the straight-line method over the estimated useful lives of the assets which range from three to forty years.

Revenues and Support

The Foundation receives revenues and support from a variety of sources including private contributions. Contributions received are recorded as support with or without donor restrictions depending upon the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to the Foundation that is, in substance, unconditional. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using discount rates applicable to the years in which the promises are received. Promises to give resulting from bequests are recognized as revenue when the Foundation has been informed that the will has been validated by a probate court.

Contributions and investment income that are limited to specific uses by donor-imposed restrictions are reported as being received without donor restrictions when the restrictions are met within the same reporting period. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the restriction expires or is satisfied.

The Foundation has evaluated its antenna lease contracts and determined that its leases qualify for recognizing revenue over the life of the lease. The primary criterion management has identified is that the lessee simultaneously receives and consumes the benefit provided by the Foundation's performance as the Foundation performs its obligations under the lease. The Foundation uses an input method for measuring progress on its leases. Input methods are measures that are incurred in the process of satisfying performance obligations. Accordingly, management considers the passage of time to be the best available measure of inputs to its leases.

The contract liability, "deferred revenue, antenna leases," represents the Foundation's obligation to provide leased antenna space to a lessee for which the Foundation has been paid by the lessee or for which the Foundation has billed the lessee under the terms of the lease. Revenue for future services reflected in this account is recognized, and the liability is reduced, as the Foundation subsequently satisfies the performance obligation under the lease.

In-kind Contributions and Donated Services

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Generally, nonfinancial assets contributed are utilized in providing program services or administrative functions.

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Notes to the Financial Statements

June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

Type of Expense	Method of Allocation
Other building occupancy	Full time equivalent
Supplies and services	Full time equivalent
Salaries and wages	Time and effort
Payroll taxes and benefits	Time and effort

Advertising

Advertising costs are expensed as incurred and totaled \$3,141 and \$9,000 for the years ended June 30, 2022 and 2021, respectively.

Tax Status

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation has been classified as an organization other than a private foundation under Section 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code.

The Foundation files tax returns in the United States federal jurisdiction and Tennessee state jurisdiction and is no longer subject to tax examinations by tax authorities for the years prior to 2019. Based on the evaluation of the Foundation's tax positions, management believes all positions taken would more likely than not be upheld under examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended June 30, 2022 and 2021.

Use of Estimates

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Risk

Although the Foundation has a policy to maintain a diversified portfolio, investment securities are subject to market and credit risk, including the issuers' ability to meet their obligations, which may be affected by general economic conditions or economic developments in a specific geographic region or industry.

Reclassifications

Certain 2021 amounts have been reclassified to conform to the current year presentation with no impact to net assets or changes in net assets.

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Notes to the Financial Statements

June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Guidance

In September 2020, the FASB issued Accounting Standards Update 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”). The new guidance requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a not-for-profit organization has received. The Organization adopted the guidance effective July 1, 2021, on a retrospective basis. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

Subsequent Events

Management has evaluated subsequent events through December 13, 2022, the date the financial statements were available to be issued.

Note 2 – Property and Equipment

Property and equipment consisted of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,620,684	\$ 1,620,684
Transmitter building	336,572	336,572
Building	7,877,221	7,877,221
Transmitter and tower	3,473,472	3,505,307
Office equipment	449,460	416,544
Vehicles	40,443	40,443
Studio and technical equipment	<u>7,528,835</u>	<u>8,171,895</u>
Less accumulated depreciation	<u>(13,738,468)</u>	<u>(14,340,975)</u>
Property and equipment, net	<u>\$ 7,588,219</u>	<u>\$ 7,627,691</u>
Depreciation expense for the year	<u>\$ 284,780</u>	<u>\$ 272,016</u>

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Notes to the Financial Statements

June 30, 2022 and 2021

Note 3 – Investments

Investments consisted of the following as of June 30, 2022 and 2021:

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Equity funds	\$ 943,268	\$ 990,506	\$ 631,034	\$ 570,060
Pooled investments - Community Foundation of Greater Memphis, Inc.	<u>1,251,496</u>	<u>1,256,246</u>	<u>1,464,610</u>	<u>1,155,340</u>
Total investments	<u>\$ 2,194,764</u>	<u>\$ 2,246,752</u>	<u>\$ 2,095,644</u>	<u>\$ 1,725,400</u>

At June 30, 2022, investments included \$943,268 in securities pledged as collateral under a line of credit agreement with a financial institution (see Note 5).

Investments held by the Community Foundation of Greater Memphis, Inc. consist of funds transferred from the Foundation to the WKNO-TV/FM Endowment Fund (the “Endowment Fund”) (see Note 7). The beneficiary of the Endowment Fund is the Foundation.

Net investment income for the years ended June 30, 2022 and 2021, consisted of the following:

	2022	2021
Net unrealized gain (loss)	\$ (422,233)	\$ 281,056
Net realized gain	<u>94,297</u>	<u>82,951</u>
Net gain (loss) on investments	(327,936)	364,007
Interest and dividend income	54,242	35,629
Investment fees	<u>(15,474)</u>	<u>(10,787)</u>
Net investment income (loss)	<u>\$ (289,168)</u>	<u>\$ 388,849</u>

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Notes to the Financial Statements

June 30, 2022 and 2021

Note 4 – Fair Value Measurements

Fair value of assets measured on a recurring basis as of June 30, 2022, includes the following:

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	2022			
Equity funds	\$ 943,268	\$ 943,268	\$ -	\$ -
Pooled investments - Community Foundation of Greater Memphis, Inc.	1,251,496	-	-	1,251,496
Total fair value of investments	<u>\$ 2,194,764</u>	<u>\$ 943,268</u>	<u>\$ -</u>	<u>\$ 1,251,496</u>

Fair value of assets measured on a recurring basis as of June 30, 2021, includes the following:

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	2021			
Equity funds	\$ 631,034	\$ 631,034	\$ -	\$ -
Pooled investments - Community Foundation of Greater Memphis, Inc.	1,464,610	-	-	1,464,610
Total fair value of investments	<u>\$ 2,095,644</u>	<u>\$ 631,034</u>	<u>\$ -</u>	<u>\$ 1,464,610</u>

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Notes to the Financial Statements

June 30, 2022 and 2021

Note 4 – Fair Value Measurements (continued)

Fair values for Level 1 assets are determined by reference to quoted market prices for identical assets. Fair values for Level 2 assets are determined by reference to quoted market prices of similar assets and other relevant information generated by market transactions. For valuation of Level 3 assets, management uses significant unobservable inputs including information from fund managers. The fund managers value these investments based upon the Foundation's proportional share of the net asset values of the underlying securities or as reported by the underlying entities. Management reviews and evaluates the values provided by the fund managers and agrees with the valuation methods and assumptions used in determining the fair values. Because of the inherent uncertainty of the valuation of Level 3 assets, the values reported in these financial statements may differ significantly from the values that would have been used had a ready market for the investments existed.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Community Foundation of Greater Memphis	
	2022	2021
Beginning balance	\$ 1,464,610	\$ 1,174,085
Net appreciation (depreciation)	(221,448)	280,339
Purchases	23,808	20,973
Settlements	(15,474)	(10,787)
Ending balance	<u>\$ 1,251,496</u>	<u>\$ 1,464,610</u>

Note 5 – Line of Credit

The Foundation has a line of credit with a financial institution with a maximum borrowing about of \$500,000. Interest is payable monthly at the one month LIBOR rate plus an applicable percentage as determined by the market value of pledged investment securities (3.85% as of June 30, 2022). The line of credit is collateralized by investment securities (see Note 3). As of June 30, 2022 and 2021, the line of credit had no amounts outstanding.

Note 6 – Net Assets with Donor Restrictions

As of June 30, 2022 and 2021, the Foundation had \$775,433 and \$988,547, respectively, of net assets with donor restrictions as to purpose. For the year ended June 30, 2021, \$50,000 of net assets with donor restrictions as to purpose, were released from restriction by the passage of time. For the year ended June 30, 2022, no such releases occurred.

Net assets with donor restrictions in perpetuity consisted of the principal balance of the WKNO-TV/FM Endowment Fund (the "Endowment Fund") held at the Community Foundation of Greater Memphis, Inc. A portion of the net investment income of the Endowment Fund is available to supplement the cost of operations while the remaining balance of net investment income is to be reinvested in the principal of the Endowment Fund (see Note 7). As of June 30, 2022 and 2021, the balance of net assets with donor restrictions in perpetuity was \$1,106,062.

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Notes to the Financial Statements

June 30, 2022 and 2021

Note 7 – Endowment Fund

The Foundation's endowment fund consists of a balanced pooled fund established for the purpose of raising and investing funds for capital improvements and program expenses. As required by accounting principles generally accepted in the United States of America, net assets associated with the endowment fund, including funds designated by the Board of Directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as adopted by the State of Tennessee 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 the interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of the investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. The policy states that the future growth of the Endowment Fund should be sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the Endowment Fund for future generations. In establishing this policy, the Foundation considered liquidity and the long-term expected investment return of its endowment fund. The endowment contract stipulates that 20% of the net income from the funds will be included in the permanently restricted net assets, and the other 80% can be spent as needed by the Foundation.

Endowment net asset composition by type of fund as of June 30, 2022 and 2021, was as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose	In Perpetuity	
As of June 30, 2022				
Donor-restricted endowment funds	\$ 120,000	\$ 25,433	\$ 1,106,062	\$ 1,251,495
As of June 30, 2021				
Donor-restricted endowment funds	\$ 120,000	\$ 238,547	\$ 1,106,062	\$ 1,464,609

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Notes to the Financial Statements

June 30, 2022 and 2021

Note 7 – Endowment Fund (continued)

Changes in endowment net assets for the year ended June 30, 2022, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Purpose</u>	<u>In Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 120,000	\$ 238,547	\$ 1,106,062	\$ 1,464,609
Investment return:				
Interest and dividends	-	23,808	-	23,808
Unrealized loss	-	(314,020)	-	(314,020)
Realized gain	-	92,572	-	92,572
Investment fees	-	(15,474)	-	(15,474)
Total investment return	-	(213,114)	-	(213,114)
Withdrawals	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ 120,000</u>	<u>\$ 25,433</u>	<u>\$ 1,106,062</u>	<u>\$ 1,251,495</u>

Changes in endowment net assets for the year ended June 30, 2021, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Purpose</u>	<u>In Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 70,000	\$ 56,127	\$ 1,047,958	\$ 1,174,085
Investment return:				
Interest and dividends	-	16,779	4,194	20,973
Unrealized gain	-	160,865	40,216	201,081
Realized gain	-	63,406	15,852	79,258
Investment fees	-	(8,630)	(2,158)	(10,788)
Total investment return	-	232,420	58,104	290,524
Withdrawals	-	-	-	-
Appropriation of endowment assets for expenditure	50,000	(50,000)	-	-
Endowment net assets, end of year	<u>\$ 120,000</u>	<u>\$ 238,547</u>	<u>\$ 1,106,062</u>	<u>\$ 1,464,609</u>

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Notes to the Financial Statements

June 30, 2022 and 2021

Note 8 – Leasing Arrangements

The Foundation leases TV and microwave towers, air space, and a billboard under noncancellable operating leases that expire on various dates through 2035. The leases require fixed lease payments, plus subsequent adjustments based on the prior year's consumer price index. For the years ended June 30, 2022 and 2021, the Foundation recognized antenna income of \$391,245 and \$379,745, respectively.

The following is a summary of minimum future rental income under noncancellable operating leases:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 334,840
2024	303,637
2025	286,772
2026	297,772
2027	297,772
Thereafter	<u>1,328,818</u>
Total	<u>\$ 2,849,611</u>

Note 9 – Retirement Plan

The Foundation has a defined contribution plan for the benefit of all employees with six months and 1,000 hours of service. The Foundation's contribution to the plan is based upon five percent of eligible employees' compensation. Contributions were suspended during the year ended June 30, 2021.

Note 10 – Donated Materials and Services

Donated materials and services for the years ended June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Computer services	\$ 6,000	\$ 6,000
Legal	<u>5,276</u>	<u>7,394</u>
Total	<u>\$ 11,276</u>	<u>\$ 13,394</u>

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Notes to the Financial Statements

June 30, 2022 and 2021

Note 11 – Paycheck Protection Program Funding

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. In April 2020, the Foundation received a Small Business Administration (“SBA”) loan in the amount of \$448,985 for the Payroll Protection Program (“PPP”) in order to keep staff employed during the coronavirus pandemic. The terms of the PPP loan indicate that the Foundation must utilize the proceeds to fund/offset qualifying expenses over an eight-week period, which can be extended to twenty-four weeks if elected. The Foundation has elected to treat the PPP loan in accordance with the FASB ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*, government grant contribution model. Under this model, an entity may recognize the expected forgiveness of the loan into revenue in relation to the expenses incurred if it believed all the conditions for forgiveness have been substantially met. The Foundation expended the required funds and believes it substantially met all of the requirements for forgiveness of expended funds prior to June 30, 2020. Therefore, PPP grant income in the amount of \$448,985 was recognized as revenues and support in the accompanying statements of activities and no loan balance is reflected in the statements of financial position as of and for the year ended June 30, 2021. On September 9, 2021, the Foundation was informed that the PPP loan had been forgiven in full.

Note 12 – Discontinued Activity, Mobile Unit

In May 2014, management decided to discontinue mobile unit activities due to continued deterioration of the mobile unit’s financial performance. As of June 30, 2022 and 2021, the financial position of the mobile unit consisted of assets held for sale, net of \$53,763 and net assets without donor restrictions of \$53,763.

Note 13 – Availability of Resources and Liquidity

As part of its ongoing liquidity management, the Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of June 30, 2022 and 2021, the Foundation’s current unrestricted financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 2,804,378	\$ 2,250,377
Accounts receivable, net	73,140	79,038
Bequests receivable	114,971	129,938
Grants receivable	43,875	419,266
Investments	2,194,764	2,095,644
Total financial assets	5,231,128	4,974,263
Amounts not available to be used within one year:		
Investments pledged as collateral	(943,268)	(631,034)
Donor-restricted endowment funds	(1,131,495)	(1,344,609)
Net assets with purpose restriction	(750,000)	(750,000)
Financial assets not available to be used within one year	(2,824,763)	(2,725,643)
Financial assets available to meet general expenditures within one year	\$ 2,406,365	\$ 2,248,620

MID-SOUTH PUBLIC COMMUNICATIONS FOUNDATION

Schedule of Revenues, Support and Expenses for Television and Radio

June 30, 2022

	<u>Television</u>	<u>Radio</u>	<u>Total</u>
Revenues and support			
Contributions	\$ 1,660,003	\$ 1,193,058	\$ 2,853,061
CPB community service grants	871,568	118,370	989,938
State of Tennessee grant	430,793	-	430,793
Federal grant	130,500	-	130,500
Production and royalty revenues	86,772	-	86,772
Education revenue	19,625	-	19,625
Underwriting	157,593	323,153	480,746
Special events	17,610	-	17,610
Net investment loss	(216,876)	(72,292)	(289,168)
In-kind contributions	5,638	5,638	11,276
Antenna income	391,245	-	391,245
Other revenues and support	<u>90,719</u>	<u>211</u>	<u>90,930</u>
Total revenues and support	<u><u>\$ 3,645,190</u></u>	<u><u>\$ 1,568,138</u></u>	<u><u>\$ 5,213,328</u></u>
Expenses			
Program services	\$ 2,359,903	\$ 1,167,505	\$ 3,527,408
Supporting services	<u>951,026</u>	<u>446,529</u>	<u>1,397,555</u>
Total expenses	<u><u>\$ 3,310,929</u></u>	<u><u>\$ 1,614,034</u></u>	<u><u>\$ 4,924,963</u></u>