

COMMUNITY COMMUNICATIONS, INC.
Financial Statements
September 30, 2023 and 2022
With Independent Auditor's Report

Community Communications, Inc.
Table of Contents
September 30, 2023 and 2022

Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6-7
Notes to Financial Statements	8-18

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Community Communications, Inc.:

Opinion

We have audited the financial statements of Community Communications, Inc. (the "Organization") which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Communications, Inc. as of September 30, 2023 and 2022, 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 the Organization 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.

Emphasis of Matter

Leases

As described in Note 2, the Organization adopted Topic 842, *Leases*, as of October 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the Organization's historic accounting under Topic 840, *Leases*. Our opinion is not modified with respect to this matter.

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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be 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 the Organization'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 the Organization'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.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

February 28, 2024

Community Communications, Inc.
Statements of Financial Position
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash	\$ 753,667	\$ 1,007,827
Accounts receivable, net	396,779	355,380
Memberships and grants receivable	25,000	25,000
Prepaid expenses and other assets	150,098	165,636
Current portion of donated facilities use	<u>245,662</u>	<u>238,824</u>
Total current assets	1,571,206	1,792,667
Investments, at fair value	3,112,126	2,777,317
Property and equipment, net	266,653	271,816
Donated facilities use, less current portion	5,672,526	5,918,188
Right-use-of asset - operating, net	478,380	-
Intangible assets, net	<u>684,758</u>	<u>699,987</u>
Total assets	<u>\$ 11,785,649</u>	<u>\$ 11,459,975</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 183,656	\$ 262,430
Accrued expenses	250,143	236,642
Right-of-use liability - operating, current portion	17,536	-
Deferred revenues	<u>7,667</u>	<u>4,000</u>
Total current liabilities	459,002	503,072
Right-of-use liability - operating, net of current portion	<u>537,669</u>	<u>-</u>
Total liabilities	996,671	503,072
Net assets		
Without donor restrictions		
Undesignated	1,918,793	2,103,215
Board designated	<u>1,659,311</u>	<u>1,481,963</u>
Total net assets without donor restrictions	3,578,104	3,585,178
With donor restrictions		
Net assets with donor restrictions	<u>7,210,874</u>	<u>7,371,725</u>
Total net assets	<u>10,788,978</u>	<u>10,956,903</u>
Total liabilities and net assets	<u>\$ 11,785,649</u>	<u>\$ 11,459,975</u>

The Notes to Financial Statements are an integral part of these statements.

Community Communications, Inc.
Statements of Activities
Years Ended September 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and gains						
Grants	\$ 421,620	\$ -	\$ 421,620	\$ 389,219	\$ -	\$ 389,219
Memberships	1,998,576	-	1,998,576	1,982,124	-	1,982,124
Program underwriting	1,827,308	-	1,827,308	1,783,077	-	1,783,077
Bequests	200,000	-	200,000	-	-	-
Vehicle contributions	158,123	-	158,123	144,758	-	144,758
Investment gain (loss), net	256,061	77,973	334,034	(444,659)	(136,636)	(581,295)
Donated facilities, materials, property and services	46,153	-	46,153	361,409	6,254,550	6,615,959
Other income	206,219	-	206,219	107,542	-	107,542
	<u>5,114,060</u>	<u>77,973</u>	<u>5,192,033</u>	<u>4,323,470</u>	<u>6,117,914</u>	<u>10,441,384</u>
Net assets released from restrictions	<u>238,824</u>	<u>(238,824)</u>	<u>-</u>	<u>97,538</u>	<u>(97,538)</u>	<u>-</u>
Total revenues, support and gains	<u>5,352,884</u>	<u>(160,851)</u>	<u>5,192,033</u>	<u>4,421,008</u>	<u>6,020,376</u>	<u>10,441,384</u>
Expenses						
Program services						
Programming and production	2,300,370	-	2,300,370	2,134,131	-	2,134,131
Broadcasting	405,487	-	405,487	405,629	-	405,629
Program information and promotion	<u>247,755</u>	<u>-</u>	<u>247,755</u>	<u>90,643</u>	<u>-</u>	<u>90,643</u>
Total program services	<u>2,953,612</u>	<u>-</u>	<u>2,953,612</u>	<u>2,630,403</u>	<u>-</u>	<u>2,630,403</u>
Supporting services						
Fundraising and membership development	1,349,432	-	1,349,432	1,223,873	-	1,223,873
Management and general	<u>1,056,914</u>	<u>-</u>	<u>1,056,914</u>	<u>977,761</u>	<u>-</u>	<u>977,761</u>
Total supporting services	<u>2,406,346</u>	<u>-</u>	<u>2,406,346</u>	<u>2,201,634</u>	<u>-</u>	<u>2,201,634</u>
Total expenses	<u>5,359,958</u>	<u>-</u>	<u>5,359,958</u>	<u>4,832,037</u>	<u>-</u>	<u>4,832,037</u>
Changes in net assets	<u>(7,074)</u>	<u>(160,851)</u>	<u>(167,925)</u>	<u>(411,029)</u>	<u>6,020,376</u>	<u>5,609,347</u>
Net assets						
Beginning of year	<u>3,585,178</u>	<u>7,371,725</u>	<u>10,956,903</u>	<u>3,996,207</u>	<u>1,351,349</u>	<u>5,347,556</u>
End of year	<u>\$ 3,578,104</u>	<u>\$ 7,210,874</u>	<u>\$ 10,788,978</u>	<u>\$ 3,585,178</u>	<u>\$ 7,371,725</u>	<u>\$ 10,956,903</u>

The Notes to Financial Statements are an integral part of these statements.

Community Communications, Inc.
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Changes in net assets	\$ (167,925)	\$ 5,609,347
Adjustment to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	71,619	86,254
Realized and unrealized loss (gain) on investments	(278,703)	649,285
Bad debt expense	9,546	6,093
Amortization of right-of-use asset - operating	26,078	-
Donated facilities use, net of discount	-	(6,157,012)
Amortization of discount on donated facilities use	238,824	-
Changes in		
Accounts receivable	(50,945)	(66,911)
Prepaid and other expenses	15,538	(100,172)
Accounts payable	(78,774)	144,391
Accrued expenses	79,641	22,867
Lease liabilities - operating	(15,393)	-
Deferred revenues	3,667	(500)
Net cash provided by (used in) operating activities	<u>(146,827)</u>	<u>193,642</u>
Investing activities		
Purchase of investments	(447,889)	(666,790)
Dividend reinvestments	(55,331)	(67,990)
Proceeds from sales of investments	447,114	646,842
Purchase of property and equipment	<u>(51,227)</u>	<u>(27,193)</u>
Net cash used in investing activities	<u>(107,333)</u>	<u>(115,131)</u>
 Net change in cash	 (254,160)	 78,511
Cash		
Beginning of year	<u>1,007,827</u>	<u>929,316</u>
End of year	<u>\$ 753,667</u>	<u>\$ 1,007,827</u>

The Notes to Financial Statements are an integral part of these statements.

Community Communications, Inc.
Statement of Functional Expenses
Year Ended September 30, 2023

	Program Services				Supporting Services			Total
	Programming and Production	Broadcasting	Program Information and Promotion	Total Program Services	Fundraising and Membership Development	Management and General	Total Supporting Services	
Bank fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,245	\$ 16,245	\$ 16,245
Contracted services	139,346	17,924	48,317	205,587	949,952	147,580	1,097,532	1,303,119
Depreciation and amortization	-	61,958	-	61,958	-	9,661	9,661	71,619
Donated facilities	193,399	40,565	1,639	235,603	41,384	132,757	174,141	409,744
Donated services	14,010	2,005	2,005	18,020	14,370	13,763	28,133	46,153
Dues and registrations	15,434	544	-	15,978	6,060	10,087	16,147	32,125
Employee benefits	18,488	1,545	2,193	22,226	5,247	13,653	18,900	41,126
Entertainment	860	-	291	1,151	4,144	1,551	5,695	6,846
General insurance	-	24,689	-	24,689	-	98,756	98,756	123,445
Health insurance	122,605	7,635	13,102	143,342	24,135	42,050	66,185	209,527
Payroll	859,957	59,244	155,159	1,074,360	212,333	364,107	576,440	1,650,800
Payroll taxes	65,875	4,482	11,725	82,082	16,610	25,507	42,117	124,199
Postage and freight	-	-	-	-	25,881	1,007	26,888	26,888
Program acquisition	850,349	-	-	850,349	-	-	-	850,349
Rent	-	40,802	-	40,802	-	5,570	5,570	46,372
Repairs and maintenance	-	19,422	-	19,422	-	60,138	60,138	79,560
Supplies and premiums	9,027	31,250	11,281	51,558	35,918	14,197	50,115	101,673
Telephone	2,745	28,107	-	30,852	4,650	8,048	12,698	43,550
Temporary staffing	-	-	-	-	6,854	1,949	8,803	8,803
Travel	8,275	2,644	2,043	12,962	1,894	11,624	13,518	26,480
Utilities	-	62,671	-	62,671	-	78,664	78,664	141,335
	<u>\$ 2,300,370</u>	<u>\$ 405,487</u>	<u>\$ 247,755</u>	<u>\$ 2,953,612</u>	<u>\$ 1,349,432</u>	<u>\$ 1,056,914</u>	<u>\$ 2,406,346</u>	<u>\$ 5,359,958</u>

The Notes to Financial statements are an integral part of this statement.

Community Communications, Inc.
Statement of Functional Expenses
Year Ended September 30, 2022

	Program Services				Supporting Services			Total
	Programming and Production	Broadcasting	Program Information and Promotion	Total Program Services	Fundraising and Membership Development	Management and General	Total Supporting Services	
Advertising	\$ -	\$ -	\$ 401	\$ 401	\$ -	\$ -	\$ -	\$ 401
Bank fees	-	-	-	-	-	14,982	14,982	14,982
Contracted services	121,900	26,790	5,750	154,440	908,865	173,070	1,081,935	1,236,375
Depreciation and amortization	-	78,968	-	78,968	-	7,286	7,286	86,254
Donated facilities	232,992	48,869	1,975	283,836	49,856	159,935	209,791	493,627
Donated services	17,392	3,696	-	21,088	7,925	9,496	17,421	38,509
Dues and registrations	32,796	625	-	33,421	18,155	31,920	50,075	83,496
Employee benefits	15,318	1,066	1,230	17,614	3,797	8,678	12,475	30,089
Entertainment	213	-	-	213	518	2,393	2,911	3,124
General insurance	-	20,505	-	20,505	-	81,938	81,938	102,443
Health insurance	105,319	5,531	8,364	119,214	14,434	41,614	56,048	175,262
Payroll	671,834	34,630	65,231	771,695	140,326	294,069	434,395	1,206,090
Payroll taxes	54,196	2,693	5,146	62,035	11,101	22,688	33,789	95,824
Postage and freight	-	-	-	-	19,962	2,352	22,314	22,314
Printing	-	-	2,546	2,546	-	1,756	1,756	4,302
Program acquisition	858,643	-	-	858,643	-	-	-	858,643
Rent	-	43,359	-	43,359	-	3,220	3,220	46,579
Repairs and maintenance	-	7,686	-	7,686	-	45,277	45,277	52,963
Supplies and premiums	968	35,211	-	36,179	29,319	13,470	42,789	78,968
Telephone	4,076	26,547	-	30,623	3,684	6,140	9,824	40,447
Temporary staffing	8,370	-	-	8,370	14,444	850	15,294	23,664
Travel	10,114	2,005	-	12,119	1,487	7,893	9,380	21,499
Utilities	-	67,448	-	67,448	-	42,951	42,951	110,399
Miscellaneous expenses	-	-	-	-	-	5,783	5,783	5,783
	<u>\$ 2,134,131</u>	<u>\$ 405,629</u>	<u>\$ 90,643</u>	<u>\$ 2,630,403</u>	<u>\$ 1,223,873</u>	<u>\$ 977,761</u>	<u>\$ 2,201,634</u>	<u>\$ 4,832,037</u>

The Notes to Financial statements are an integral part of this statement.

Community Communications, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

1. NATURE OF ORGANIZATION

Community Communications, Inc. (the "Organization") is a nonprofit Florida corporation that currently operates a noncommercial public radio station, WMFE-FM 90.7, broadcasting to Central and East Central Florida service areas. Effective January 4, 2018, the Organization acquired the assets of a noncommercial educational radio station, WMFV-FM 89.5 (WMFV), broadcasting to the Villages and Ocala, Florida service areas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In accordance with U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions. These assets may, however, be subject to Board designation. At September 30, 2023 and 2022, net assets without donor restrictions include funds designated by the Board of Trustees for reserves and other purposes in the amount of \$1,659,311 and \$1,481,963 respectively. At September 30, 2023 and 2022, undesignated net assets totaled \$1,918,793 and \$2,103,215, respectively.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization or by the passage of time, or endowments which neither expire by the passage of time or can be fulfilled or removed by actions of the Organization. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as net assets without donor restrictions. Amounts received that are to be maintained by the Organization in perpetuity are reported as net assets with donor restrictions. At September 30, 2023 and 2022, net assets with donor restrictions totaled \$7,210,874 and \$7,371,725, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts in the statements of financial position, statements of activities, and related footnote disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable represent amounts due from program underwriting contracts and are recognized at the amount that management expects to be collected based on established collection history using a payor specific portfolio approach and review of individual balances. Amounts that are not expected to be received representing contractual adjustments and implicit price concessions are recognized as a reduction to the related revenue. The Organization recognizes a separate allowance only when it determines there has been an unforeseeable change in the customer's ability to pay subsequent to the delivery of services. As of September 30, 2023 and 2022, the Organization has recorded an allowance for doubtful accounts of \$9,546 and \$7,024, respectively. The beginning balance of accounts receivable, net of allowance was \$294,562 at October 1, 2021.

Community Communications, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

Investments

Investments are recorded at fair value based upon quoted market prices. Interest and dividend income and realized and unrealized gains and losses are included in investment gain (loss), net on the statements of activities. Dividend revenue is recognized on the ex-dividend date. Investment expenses are netted against investment income.

Property and Equipment

Property and equipment are recorded at cost, if purchased, and at fair market value on the date received, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range between 3-10 years.

Intangible Assets

Purchased intangible assets consist of broadcasting rights and tower leases purchased in connection with the acquisition of the WMFV station. Intangible assets determined to have definite lives are amortized over their estimated useful lives, which is 15 years. The Organization does not amortize intangible assets deemed to have indefinite lives, which consists of the FCC license as described in Note 6.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets, including intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. There were no impairments of long-lived assets during fiscal years ended 2023 or 2022.

Grants, Bequests, Memberships and Vehicle Contributions

Revenue from grants designated for use in specific activities is recognized in the period in which the expenditures have been incurred in compliance with grantor's restrictions. Revenue from these grants is recognized only to the extent of expenditures incurred under the terms of the grant. Grants received in excess of revenue recognized are recorded as deferred revenue.

Grants receivable are stated at net realizable value. In determining whether or not to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. Receivables are written off as a charge to the allowance when, in management's estimation, it is probable that the receivable is uncollectible.

Bequests, memberships and vehicle contributions consist primarily of unconditional promises to give and are recorded as made. All contributions are reported as an increase in net assets without donor restrictions, unless specifically restricted by the donor. All donor-restricted support is reported as an increase in net assets with donor restrictions. Unconditional promises to give due within one year are recorded at their net realizable value. Unconditional promises to give due after one year are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no promises to give at September 30, 2023 and 2022.

Revenues and support from bequests, memberships and vehicle contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as donor- restricted support that increases the with donor restriction net asset class.

Community Communications, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

Program Underwriting

Revenues are recognized when the earnings process is substantially complete, and goods have been delivered or services performed at an amount expected to be collected. Revenues from program underwriting are recognized as pro rata over the broadcast period in accordance with the underwriting agreement. Revenues from program underwriting received but not yet earned are reported as deferred revenue.

Donated Facilities, Materials, Property and Services

Donated facilities, materials, property and services included in the accompanying financial statements are recorded at their fair market value at the date donated. Donated services - primarily accounting and consulting services - are only recorded if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. No amounts have been recorded for non-specialized services; however, a number of volunteers have donated their time to the operations of the Organization.

Donated amounts received and recognized in the statements of activities consist of the following for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Donated facilities	\$ -	\$ 6,577,450
Donated services	<u>46,153</u>	<u>38,509</u>
	<u>\$ 46,153</u>	<u>\$ 6,615,959</u>

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent relative to each function. Other indirect costs such as donated facilities and utility expenses are allocated based on the number of employees per function.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and from state income taxes under similar provisions of the Florida Statutes.

The Organization identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statement of financial position. The Organization has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Organization would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Organization's open tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Leases

The Organization categorizes leases with contractual terms longer than 12 months as either operating or finance. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statements of financial position.

Community Communications, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

Lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based on the rate implicit in the lease. Right-of-use ("ROU") assets are recognized based on the initial present value of the fixed lease payments, plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease. Finance lease assets are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term. The interest component of a finance lease is included in interest expense and recognized using the effective interest method over the lease term. During the year ended September 30, 2023, the Organization had no financing leases.

Fair Value of Financial Instruments

The Organization reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain financial instruments approximate their fair values due to the short-term nature of these instruments.

The Organization's Level 1 financial assets consist of mutual funds as disclosed in Note 4 and are valued based on quoted market prices. There are no Level 2 or 3 financial instruments held by the Organization.

Community Communications, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

Subsequent Events

The Organization has evaluated subsequent events through February 28, 2024, the date which the financial statements were available to be issued. Based on this evaluation, the Organization has determined that no subsequent events have occurred, which would require adjustment to or disclosure in the financial statements.

Reclassification

Certain amounts in the statement of cash flows for the year ended September 30, 2022 have been reclassified to conform to the current year presentation.

Accounting Pronouncements Adopted in Current Year

Leases

During 2023, the Organization adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, Leases, using the retrospective approach. The Organization has elected to apply the provisions of this standard to the beginning of the earlier comparative period presented.

Further, the Organization elected to implement the package of practical expedients, whereby the Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs.

Upon adoption, the Organization recognized \$504,458 right of use asset-operating at October 1, 2022. Corresponding operating lease liabilities of \$570,598 were also recognized at October 1, 2022. Deferred rent liabilities of \$66,140 were reclassified and netted against the ROU asset. There was no cumulative effect of applying the new standard, and accordingly, there was no adjustment to net assets upon adoption.

3. MEMBERSHIPS AND GRANTS RECEIVABLE

Memberships and grants receivable represent amounts due in less than one year and are as follows:

	<u>2023</u>	<u>2022</u>
Memberships and grants receivable	\$ 25,000	\$ 25,000

4. INVESTMENTS

The fair values of investments consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Stock mutual funds	\$ 2,297,820	\$ 1,536,212
Bond mutual funds	678,465	1,116,188
Money market mutual funds	<u>135,841</u>	<u>124,917</u>
	<u>\$ 3,112,126</u>	<u>\$ 2,777,317</u>

Community Communications, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

Investment income consists of the following for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Unrealized gains (losses)	\$ 223,880	\$ (773,162)
Realized gains	54,823	123,878
Interest and dividends	55,331	67,989
Investment gain (loss), net	<u>\$ 334,034</u>	<u>\$ (581,295)</u>

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at September 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 82,671	\$ 82,671
Engineering equipment	1,485,656	1,434,429
Programming and production equipment	113,952	113,952
Office furniture and equipment	101,158	101,158
Computer equipment	<u>137,222</u>	<u>137,222</u>
	1,920,659	1,869,432
Less: Accumulated depreciation	<u>(1,654,006)</u>	<u>(1,597,616)</u>
	<u>\$ 266,653</u>	<u>\$ 271,816</u>

Depreciation expense was \$56,390 and \$71,025 for the years ended September 30, 2023 and 2022, respectively.

6. INTANGIBLE ASSETS, NET

Intangible assets, net consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
FCC license	\$ 620,035	\$ 620,035
Tower leases	<u>152,289</u>	<u>152,289</u>
	772,324	772,324
Less: Accumulated amortization	<u>(87,566)</u>	<u>(72,337)</u>
	<u>\$ 684,758</u>	<u>\$ 699,987</u>

Amortization expense was \$15,229 for each of the years ended September 30, 2023 and 2022.

Future amortization expense for tower leases for the next five years is as follows:

2024	\$ 15,229
2025	15,229
2026	15,229
2027	15,229
2028	<u>3,807</u>
Total amortization expense	<u>\$ 64,723</u>

Community Communications, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	<u>2023</u>	<u>2022</u>
Humanities programming	\$ 262,076	\$ 184,103
Endowment funds restricted in perpetuity	1,030,610	1,030,610
Time restriction - donated facilities use	<u>5,918,188</u>	<u>6,157,012</u>
	<u>\$ 7,210,874</u>	<u>\$ 7,371,725</u>

Net assets released from restrictions during the years ended September 30 is as follows:

	<u>2023</u>	<u>2022</u>
Release of time restriction - donated facilities use	\$ 238,824	\$ 97,538
	<u>\$ 238,824</u>	<u>\$ 97,538</u>

8. DONOR-RESTRICTED ENDOWMENT FUNDS

The Organization has donor-restricted endowment funds that are restricted to investment in perpetuity, are recorded as net assets with donor restrictions, and include a General Endowment Fund that is unrestricted and a Humanities Endowment Fund that is restricted for humanities programming. The Board of Trustees of the Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of an 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, the Organization classifies as net assets with donor restrictions: (a) the original value of the gift donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The corpus of donor-restricted endowments are as follows:

	<u>2023</u>	<u>2022</u>
Humanities Endowment Fund	\$ 468,884	\$ 468,884
General Endowment Fund	<u>561,726</u>	<u>561,726</u>
	<u>\$ 1,030,610</u>	<u>\$ 1,030,610</u>

Community Communications, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

The earnings on the Humanities Endowment Fund are restricted by the donor for humanities programming and are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUPMIFA. Earnings on the General Endowment Fund are expendable for general operating purposes and are classified as net assets without donor restrictions.

Spending from the endowment funds each year is based on 3.00% of the total market value of the investment, subject to prior recommendation of the Organization's Finance Committee and approval by the Board of Trustees.

The endowment funds are invested in accordance with the investment policies of the Organization in order to protect the principal of the fund, while obtaining a reasonable stable current return and a reasonable long-term growth of capital. The investments shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. The portion invested in fixed income shall meet the objectives of preservation of capital, liquidity to fund distributions over three to five years and optimal investment return within these constraints.

Changes in the endowment funds are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, September 30, 2021	\$ 803,764	\$ 789,623	\$ 1,593,387
Interest and dividends	16,305	16,018	32,323
Net realized gains on sale of investments	20,027	19,163	39,190
Net unrealized gain on investments	(175,307)	(171,776)	(347,083)
Distributions	(43)	(41)	(84)
Endowment Net Assets, September 30, 2022	664,746	652,987	1,317,733
Interest and dividends	13,223	12,985	26,208
Net realized gains on sale of investments	8,597	8,733	17,330
Net unrealized gain (loss) on investments	61,968	56,255	118,223
Endowment Net Assets, September 30, 2023	<u>\$ 748,534</u>	<u>\$ 730,960</u>	<u>\$ 1,479,494</u>

9. BOARD-DESIGNATED NET ASSETS

The Organization maintains a board-designated reserve fund established in 2012, which is included in net assets without donor restrictions. The reserve fund is a pool of funds from various sources that the Board of Trustees has designated to set aside for future use on general operations. As of September 30, 2023 and 2022, the Board had designated \$1,659,311 and \$1,481,963, respectively, of the Organization's net assets without donor restrictions for general operations. Annual spending from the designated funds each year is based on 4.00% of the prior-year board-designated balance, subject to approval by the Board of Trustees.

Community Communications, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

10. GRANT REVENUES

Grant revenues consist of the following for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Without Donor Restrictions		
Community service grants:		
Corporation for Public Broadcasting	\$ 264,079	\$ 281,535
Florida Department of Education	150,000	100,000
Program production grants	<u>7,541</u>	<u>7,684</u>
Total without donor restrictions	<u>\$ 421,620</u>	<u>\$ 389,219</u>

11. EMPLOYEE BENEFITS

On April 1, 2001, the Organization adopted a 401(k) plan (the "Plan"). Employees who are at least 21 years of age and have completed 90 days of service with the Organization are eligible to participate in the Plan. The Organization matches 100% of contributions by employees up to 3% of gross compensation plus 50% of contributions by employees from 3% to 5% of gross compensation. Employer contributions were \$41,126 and \$30,089 for the years ended September 30, 2023 and 2022, respectively.

12. OPERATING LEASES AND RADIO TOWER AGREEMENT

The Organization has a lease agreement for a non-exclusive license to use the tower space, including access to the building and tower, in connection with the Organization's continued operations of its radio broadcasting activities. The Organization operated on a month-to-month basis until the license agreement was renewed in April 2018 for a term of six years, expiring in March 2023. The lease provides for three additional five-year renewal options, which the Organization intends to exercise. The Organization also rents miscellaneous office equipment under operating lease agreements expiring at various dates through June 2024.

The weighted average discount rate associated with the operating lease is 3.08%. At September 30, 2023, the weighted average remaining life of the Organization's operating lease is 14.5 years.

The following is a maturity analysis of the annual discounted cash flows of the operating lease liabilities as of September 30, 2023:

2024	\$ 34,308
2025	36,023
2026	37,825
2027	39,716
2028	41,702
Thereafter	<u>515,953</u>
	705,527
Less: Imputed Interest	<u>(150,322)</u>
	555,205
Right-of-use liability - operating, current portion	<u>(17,536)</u>
	<u>\$ 537,669</u>

Community Communications, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

Operating lease expense for the year ended September 30, 2023 amounted to \$46,372, including short-term and other rentals, and was included in rent expense in the accompanying statement of functional expenses. Rent expense recorded under ASC 840 for the year ended September 30, 2022 was \$46,579.

Cash paid for amounts included in the measurement of operating leases was \$32,674 as of September 30, 2023.

13. LEASE WITH STATE OF FLORIDA DEPARTMENT OF EDUCATION

In 1977, the Organization and the Department of Education ("DOE") entered into an agreement, which provided that the DOE would purchase public broadcast facilities for \$1,555,536 for use by and lease to the Organization for a term of 40 years at \$1 per year. As part of the agreement, the Organization has sole and exclusive control over the use of the leased assets and is responsible for all costs of accounting, maintaining and insuring such assets. During fiscal year 2009, renovations were completed to upgrade the radio studio facilities to accommodate digital broadcasting, as well as additional upgrades to the facilities, both inside and out.

In April 2022, the Organization executed a new 20-year in-kind lease with the DOE for use of the broadcasting and office space through April 2042. As the Organization entered into a new lease, the total amount of the value was recognized in the year of execution. Accordingly, a noncash contribution of \$6,254,550 was recorded, net of discount of \$1,940,327, which represents the discounted fair value of the property at the lease execution date. The discount is being amortized over the life of the lease.

At September 30, 2023, the carrying value of the donated facilities from this lease was as follows:

	<u>2023</u>	<u>2022</u>
Donated facility use	\$ 6,254,550	\$ 6,254,550
Less: Accumulated amortization	<u>(336,362)</u>	<u>(97,538)</u>
	<u>\$ 5,918,188</u>	<u>\$ 6,157,012</u>

Amortization of the discount amounted to \$170,920 and \$73,189 for the years ended September 30, 2023 and 2022, respectively, which is included in other income on the accompanying statements of activities.

The future amortization of the discount is as follows:

2024	\$ 164,082
2025	157,049
2026	149,815
2027	142,373
2028	134,719
Thereafter	<u>948,180</u>
	<u>\$ 1,696,218</u>

The annual fair rental value of the facilities, as determined by appraisal, has been recorded as donated facilities revenue and the expense is allocated among the various program and supporting services expenses in the accompanying statements of activities. Prior to recognition of the donated facilities contribution during fiscal year 2022, the total fair rental value recorded as an in-kind contribution was \$332,900 for the year ended September 30, 2022.

Community Communications, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

14. CONCENTRATION OF CREDIT RISK

The Organization has significant cash balances at financial institutions which throughout the year can exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's financial condition, results of operations, and cash flows.

Investments consist primarily of stock and bond mutual funds and money market funds. Although the market value of investments is subject to fluctuations on a day-to-day basis, management believes the current investment strategy is prudent for the long-term welfare of the Organization.

15. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

Financial assets and liquidity resources available within one year for general expenditure were as follows at September 30:

	<u>2023</u>	<u>2022</u>
Cash	\$ 753,667	\$ 1,007,827
Investments	3,112,126	2,777,317
Accounts receivable, net	396,779	355,380
Memberships and grants receivable	<u>25,000</u>	<u>25,000</u>
Total financial assets available within one year	4,287,572	4,165,524
Less:		
Net assets with donor restrictions subject to expenditure for specific purpose	(262,076)	(184,103)
Investments held in perpetuity by restricted endowment	(1,030,610)	(1,030,610)
Board designated net assets	<u>(1,659,311)</u>	<u>(1,481,963)</u>
Net financial assets available within one year	<u>\$ 1,335,575</u>	<u>\$ 1,468,848</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's endowment funds consist of a humanities and general endowment. The Board has approved a spending formula that addresses the manner in which endowment funds shall be used to fund operations. In addition, as discussed in Note 9, the Organization maintains a board-designated reserve fund available for general operations pending approval by the Board of Trustees and annual spending is intended to be 4% of the prior three-year average reserve fund balance. The board-designated reserve fund balance of \$1,659,311 and \$1,481,963 at September 30, 2023 and 2022, respectively, is included in the above amount of financial assets and liquidity resources available within one year, as these funds are available to be utilized at the discretion of the board of trustees.