

TEXAS PUBLIC RADIO
COMBINED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

TEXAS PUBLIC RADIO
FINANCIAL STATEMENTS
Year Ended September 30, 2021

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Independent Auditor's Report



Board of Directors
Texas Public Radio
San Antonio, Texas

Opinion

We have audited the accompanying combined financial statements of Texas Public Radio (a nonprofit organization) and affiliate, which comprise the combined statements of financial position as of September 30, 2021 and 2020, the related combined statements of activities and functional expenses for the year ended September 30, 2021, the combined statements of cash flows for the years ended September 30, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Texas Public Radio and affiliate as of September 30, 2021 and 2020, and the changes in net assets for the year ended September 30, 2021, and its cash flows for the years ended September 30, 2021 and 2020 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Texas Public Radio and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Texas Public Radio's ability to continue as a going concern within 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 combined 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 generally accepted auditing standards 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, including omissions, 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.

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Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Texas Public Radio'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Texas Public Radio'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.

Report on Summarized Comparative Information

We have previously audited Texas Public Radio's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 12, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



San Antonio, Texas
February 14, 2022

TEXAS PUBLIC RADIO
COMBINED STATEMENT OF FINANCIAL POSITION
September 30, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
Current assets:		
Cash	\$ 3,093,071	\$ 5,765,881
Receivables:		
Accounts receivable	6,143	48,202
Promises to give (net of allowance for uncollectible pledges of \$107,867 in 2021 and \$151,340 in 2020)	644,745	1,267,325
Underwriting	262,878	206,357
Due from escrow	-	690,732
Due under construction funding agreements	69,301	1,325,408
Total receivables	983,067	3,538,024
Investments	4,824	-
Prepaid expenses	578,994	55,614
Total current assets	4,659,956	9,359,519
Property and equipment:		
Broadcasting and other equipment	3,183,336	2,846,888
Leasehold improvements	7,818,078	19,265
Construction in progress	-	7,105,595
	11,001,414	9,971,748
Less accumulated depreciation	(1,495,260)	(1,111,982)
Property and equipment, net	9,506,154	8,859,766
Other assets:		
Cash and investments held in escrow for construction	110,611	621,118
Promises to give, long-term (net of allowance for uncollectible pledges of \$36,828 in 2021 and \$120,291 in 2020)	208,691	681,646
Investments restricted for endowment	416,486	330,717
Total other assets	735,788	1,633,481
Total assets	<u>\$ 14,901,898</u>	<u>\$ 19,852,766</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 314,389	\$ 1,219,695
Accrued liabilities	398,265	318,463
Notes payable due within one year	-	600,000
Total current liabilities	712,654	2,138,158
Long-term and other liabilities:		
Construction loan payable	1,379,513	4,729,513
PPP note payable	-	669,000
Less amount due within one year	-	(600,000)
Total long-term and other liabilities	1,379,513	4,798,513
Total liabilities	2,092,167	6,936,671
Net assets:		
Without donor restrictions:		
Undesignated	3,042,815	5,180,489
Fixed assets	8,237,252	4,751,371
Board-designated	4,817	4,817
Total net assets without donor restrictions	11,284,884	9,936,677
With donor restrictions:		
Time or purpose restrictions	1,113,178	2,653,518
Restrictions that are perpetual in nature	411,669	325,900
Total net assets with donor restrictions	1,524,847	2,979,418
Total net assets	12,809,731	12,916,095
Total liabilities and net assets	<u>\$ 14,901,898</u>	<u>\$ 19,852,766</u>

The accompanying notes are an integral part
of the financial statements.

TEXAS PUBLIC RADIO
COMBINED STATEMENT OF ACTIVITIES

Year Ended September 30, 2021

(With Comparative Totals For Year Ended September 30, 2020)

	Without Donor Restrictions			With Donor	Total	
	Operations	Fixed Assets	Board-Designated	Restrictions	2021	2020
Support and revenues:						
Special events:						
Gross revenue	\$ 35,841	\$ -	\$ -	\$ -	\$ 35,841	\$ 51,767
Less direct expenses	<u>(2,511)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,511)</u>	<u>(7,860)</u>
Net special events support	33,330	-	-	-	33,330	43,907
Payroll Protection Program grant	669,000	-	-	-	669,000	-
CPB ARPA grant	293,343	-	-	-	293,343	-
Program underwriting contracts	1,821,875	-	-	-	1,821,875	1,860,193
Grants	478,965	-	-	573,927	1,052,892	1,196,016
Contributions	274,190	-	-	76,167	350,357	707,197
Memberships	2,165,592	-	-	59,000	2,224,592	2,472,710
Investment income	9,197	-	-	2,679	11,876	132,751
Miscellaneous	<u>2,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,096</u>	<u>12,546</u>
	5,747,588	-	-	711,773	6,459,361	6,425,320
Net assets released from restrictions	<u>2,243,517</u>	<u>-</u>	<u>-</u>	<u>(2,243,517)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>7,991,105</u>	<u>-</u>	<u>-</u>	<u>(1,531,744)</u>	<u>6,459,361</u>	<u>6,425,320</u>
Expenses:						
Program services:						
Broadcasting	3,942,984	300,437	-	-	4,243,421	3,243,520
Marketing	<u>1,289,715</u>	<u>50,110</u>	<u>-</u>	<u>-</u>	<u>1,339,825</u>	<u>1,296,979</u>
Total program services	<u>5,232,699</u>	<u>350,547</u>	<u>-</u>	<u>-</u>	<u>5,583,246</u>	<u>4,540,499</u>
Supporting services:						
Administrative	322,034	13,684	-	-	335,718	442,931
Development	<u>704,887</u>	<u>19,047</u>	<u>-</u>	<u>-</u>	<u>723,934</u>	<u>698,713</u>
Total supporting services	<u>1,026,921</u>	<u>32,731</u>	<u>-</u>	<u>-</u>	<u>1,059,652</u>	<u>1,141,644</u>
Total expenses	<u>6,259,620</u>	<u>383,278</u>	<u>-</u>	<u>-</u>	<u>6,642,898</u>	<u>5,682,143</u>
Change in net assets before unrealized gains	1,731,485	(383,278)	-	(1,531,744)	(183,537)	743,177
Unrealized gains on investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,173</u>	<u>77,173</u>	<u>13,202</u>
Change in net assets	1,731,485	(383,278)	-	(1,454,571)	(106,364)	756,379
Net assets at beginning of year	5,180,489	4,751,371	4,817	2,979,418	12,916,095	12,159,716
Net interfund transfers	<u>(3,869,159)</u>	<u>3,869,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ 3,042,815</u>	<u>\$ 8,237,252</u>	<u>\$ 4,817</u>	<u>\$ 1,524,847</u>	<u>\$ 12,809,731</u>	<u>\$ 12,916,095</u>

The accompanying notes are an integral part
of the financial statements.

TEXAS PUBLIC RADIO

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2021

(With Comparative Totals For Year Ended September 30, 2020)

	Program Services			Management and General			Total Expenses	
	<u>Broadcasting</u>	<u>Marketing</u>	<u>Total</u>	<u>Administrative</u>	<u>Development</u>	<u>Total</u>	<u>2021</u>	<u>2020</u>
Salaries	\$ 1,963,848	\$ 892,810	\$ 2,856,658	\$ 239,825	\$ 357,663	\$ 597,488	\$ 3,454,146	\$ 2,962,977
Payroll taxes	150,625	70,403	221,028	19,267	28,559	47,826	268,854	229,414
Payroll benefits	248,205	113,688	361,893	22,358	43,510	65,868	427,761	395,520
Total salaries and related expenses	2,362,678	1,076,901	3,439,579	281,450	429,732	711,182	4,150,761	3,587,911
Advertising	-	24,509	24,509	-	2,200	2,200	26,709	17,984
Audience research	20,455	375	20,830	-	20,080	20,080	40,910	36,444
Bad debt expense	-	-	-	-	2,500	2,500	2,500	-
Bank charges	-	16	16	19	101,223	101,242	101,258	111,537
Building maintenance	41,491	19,082	60,573	5,947	7,192	13,139	73,712	48,222
Contract labor	-	-	-	896	1,560	2,456	2,456	5,510
Equipment rental	2,120	4,531	6,651	272	379	651	7,302	3,621
Facilities	-	-	-	-	-	-	-	3,046
Food expense	6,008	2,257	8,265	630	7,318	7,948	16,213	32,430
Honorarium fees and prizes	400	7,125	7,525	2,675	-	2,675	10,200	11,727
Insurance - liability	33,295	15,312	48,607	4,083	5,833	9,916	58,523	47,486
Interest expense	12,770	5,825	18,595	1,569	2,240	3,809	22,404	-
Internet expense	46,762	1,895	48,657	474	7,255	7,729	56,386	47,358
Mailing acquisition/renewal	-	-	-	-	2,494	2,494	2,494	2,149
Maintenance fees and software licenses	15,724	10,887	26,611	4,136	28,887	33,023	59,634	45,075
Membership premiums	-	16,462	16,462	-	18,143	18,143	34,605	21,390
Memberships	-	-	-	-	-	-	-	4,901
Miscellaneous	-	-	-	-	-	-	-	4,864
Office supplies	9,437	9,176	18,613	2,467	3,692	6,159	24,772	27,812
Postage and shipping	307	1,779	2,086	721	15,051	15,772	17,858	16,697
Printing	-	5,838	5,838	135	20,254	20,389	26,227	18,033
Production costs	212,143	100	212,243	-	-	-	212,243	138,556
Professional fees	71,066	42,028	113,094	3,774	8,523	12,297	125,391	51,855
Program fees	694,262	-	694,262	-	-	-	694,262	661,077
Promotional	-	17,090	17,090	-	-	-	17,090	22,395
Recruiting	10,888	-	10,888	-	-	-	10,888	7,121
Rent	-	-	-	-	-	-	-	100,327
Replacement parts and supplies	15,409	-	15,409	-	-	-	15,409	12,711
Satellite interconnect fee	12,125	-	12,125	-	-	-	12,125	12,125
Staff development	28,819	705	29,524	3,000	1,310	4,310	33,834	31,768
Telephone	4,942	156	5,098	42	60	102	5,200	11,126
Tower lease	185,066	-	185,066	-	-	-	185,066	173,355
Trade affiliation fees	2,794	3,995	6,789	3,267	9,743	13,010	19,799	17,546
Travel	18,853	486	19,339	235	301	536	19,875	31,477
Utilities	135,170	23,185	158,355	6,242	8,917	15,159	173,514	106,432
Total expenses before depreciation	3,942,984	1,289,715	5,232,699	322,034	704,887	1,026,921	6,259,620	5,472,068
Depreciation	300,437	50,110	350,547	13,684	19,047	32,731	383,278	210,075
Total expenses	<u>\$ 4,243,421</u>	<u>\$ 1,339,825</u>	<u>\$ 5,583,246</u>	<u>\$ 335,718</u>	<u>\$ 723,934</u>	<u>\$ 1,059,652</u>	<u>\$ 6,642,898</u>	<u>\$ 5,682,143</u>

The accompanying notes are an integral part
of the financial statements.

TEXAS PUBLIC RADIO
COMBINED STATEMENT OF CASH FLOWS
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flow from operating activities:		
Change in net assets	\$ (106,364)	\$ 756,379
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	383,278	210,075
Realized and unrealized gains on investments	(75,402)	(7,377)
Non-cash contributions	(243,881)	(140,598)
Contributions restricted for capital campaign	-	(521,775)
Forgiveness of debt	(669,000)	-
Change in:		
Receivables, other than capital campaign	2,238,357	(592,119)
Prepaid expenses	(523,380)	462,305
Cash and investments held in escrow	510,507	3,610,527
Accounts payable	(905,306)	(745,993)
Accrued liabilities	<u>79,802</u>	<u>149,213</u>
Net cash provided by operating activities	<u>688,611</u>	<u>3,180,637</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	237,217	134,795
Purchases of investments	(8,527)	(6,887)
Purchase of property and equipment	<u>(1,029,666)</u>	<u>(5,692,743)</u>
Net cash used by investing activities	<u>(800,976)</u>	<u>(5,564,835)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt	-	669,000
Payments on note payable	(3,350,000)	(500,000)
Proceeds from contributions restricted for capital campaign	<u>789,555</u>	<u>1,036,778</u>
Net cash provided (used) by financing activities	<u>(2,560,445)</u>	<u>1,205,778</u>
Net increase in cash	(2,672,810)	(1,178,420)
Cash at beginning of year	<u>5,765,881</u>	<u>6,944,301</u>
Cash at end of year	<u>\$ 3,093,071</u>	<u>\$ 5,765,881</u>
Schedule of supplemental cash flow information:		
Interest paid	<u>\$ 121,715</u>	<u>\$ 213,171</u>

The accompanying notes are an integral part
of the financial statements.

TEXAS PUBLIC RADIO

NOTES TO COMBINED FINANCIAL STATEMENTS

1 NATURE OF ORGANIZATION

Texas Public Radio (TPR) is a not-for-profit corporation whose purpose is to broadcast programs for informational, educational and entertainment purposes. The corporation was formed by the merger of Classical Broadcasting Society of San Antonio (KPAC) and San Antonio Community Radio Corporation (KSTX). In 1998 TPR expanded its services by activating a station (KTXI) to better serve listeners in the Texas Hill Country. In January 2013, TPR began broadcasting to Snyder, Big Spring and Sweetwater by adding station KTPR. KVHL was added in October 2013 to serve listeners in Llano and the Highland Lakes region. In 2016, TPR activated KTPD in Del Rio and acquired KCTI in Gonzales. The majority of underwriters and members who substantially support Texas Public Radio are located in the San Antonio and Texas Hill Country area.

Texas Public Radio Foundation (Foundation) was incorporated in September 2001. Its purpose is to receive, invest and distribute the charitable gifts that constitute the endowment of TPR and shall support educational public broadcasting and other educational activities of TPR for South Texas.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of TPR have been prepared on the accrual basis of accounting. The financial statements accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board for the format of financial statements of not-for-profit organizations. TPR 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.

The combined financial statements include the accounts of Texas Public Radio and its affiliate, Texas Public Radio Foundation. TPR and the Foundation operate with the same officers and directors, and office facilities and staff are mutually shared. Accordingly, the financial statements have been combined. All intercompany accounts are eliminated in the combination.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with TPR's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

Donated Services

No amounts have been reflected in the financial statements for donated services. TPR generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist TPR with fundraising efforts. Note 13 discusses the services TPR receives without charge from its volunteers and donors.

Income Taxes

TPR is a not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors.

Restricted and Unrestricted Revenue and Support

TPR reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

(Continued)

TEXAS PUBLIC RADIO

NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash consists of monies on hand and on deposit in checking, savings and money market accounts. Cash that is restricted or designated in some manner is classified separately.

Investments

Investments are carried at market value for financial statement purposes. A provision for unrealized gains or losses is made each year to adjust to the appropriate value. Realized and unrealized gains and losses are determined by comparison of cost to proceeds or market value, respectively. Cost is determined by historical purchase price or, in the case of any donated investments, the fair market value of those investments at the date of the gift. Market risk could occur and is dependent on the future changes in market price of the various investments held.

Cash and Investments Held in Escrow

Cash and investments held in escrow represent funds in the custody of the City of San Antonio, and which may be used to reimburse expenditures towards the Alameda Theater project.

Property and Equipment

TPR capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. Depreciation is computed using the straight-line method over their estimated useful lives.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of TPR.

Accounting Pronouncements Issued but Not Yet Adopted

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded.

The ASU is effective for TPR's fiscal years beginning after December 15, 2021 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements. This may affect TPR in fiscal year 2023.

(Continued)

TEXAS PUBLIC RADIO

NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events

TPR's management has evaluated subsequent events through February 14, 2022, the date which the financial statements were available for issue.

3 RECEIVABLES AND CREDIT RISK CONCENTRATION

TPR maintains cash balances at seven financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2021, TPR's uninsured cash balances totaled \$1,246,460.

Management analyzes the aging of accounts receivable on a quarterly basis. Accounts receivable are considered delinquent when they are over 90 days old. Payment trends by delinquent accounts are considered by management when estimating the allowance for doubtful accounts. At September 30, 2021 and 2020, management estimated the allowance for doubtful accounts to be \$144,695 and \$271,631 for those years, respectively. Accounts determined to be uncollectible by management are initially charged to the allowance for doubtful accounts.

Unconditional promises to give are as follows:

	<u>2021</u>	<u>2020</u>
Capital campaign	\$ 819,937	\$ 1,539,242
Restricted for use in future periods	<u>33,499</u>	<u>409,729</u>
	<u>\$ 853,436</u>	<u>\$ 1,948,971</u>
	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 752,612	\$ 1,418,665
Receivable in one to five years	<u>251,375</u>	<u>820,517</u>
Total unconditional promises to give	1,003,987	2,239,182
Less discounts to net present value	(5,856)	(18,580)
Less allowance for uncollectible promises receivable	<u>(144,695)</u>	<u>(271,631)</u>
Net unconditional promises to give	<u>\$ 853,436</u>	<u>\$ 1,948,971</u>

Promises to give receivable in more than one year are discounted at 2.39%.

During the year ended September 30, 2021, TPR implemented a new customer relationship management (CRM) system used to track and record recurring membership subscriptions. Under the old system, sustaining contributions were treated as one-year pledges, and TPR would accrue membership revenue and receivables for any remaining months under those pledges at the end of the fiscal year. The new system records memberships as contributions on a month-to-month basis rather than as an annual pledge. As such, any outstanding balances on memberships are no longer computed and accrued as pledges receivable. Management estimates that this change resulted in a drop in pledge revenue and pledges receivable equivalent to roughly \$357,000 as of September 30, 2021.

TEXAS PUBLIC RADIO

NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

4 INVESTMENTS

TPR owned the following investments at September 30, 2021 and 2020:

	2021		2020	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Unrestricted:				
Cash and money market funds	\$ 4,824	\$ 4,824	\$ -	\$ -
Restricted for Endowment:				
Pooled investment funds	<u>329,912</u>	<u>416,486</u>	<u>321,316</u>	<u>330,717</u>
	<u>\$ 334,736</u>	<u>\$ 421,310</u>	<u>\$ 321,316</u>	<u>\$ 330,717</u>

Generally accepted accounting principles provide a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure 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). Cash and equivalents are reported at cost, which approximates fair value. Money market funds are reported at fair value using a Level 1 measure. At September 30, 2021 and 2020, TPR's investments in pooled investment funds were reported at fair value using a Level 3 measure.

The following tables set forth a summary of changes in the fair value of pooled investment funds, which is a Level 3 asset, for the years ended September 30, 2021 and 2020:

	2021				
	<u>Beginning Balance</u>	<u>Purchases</u>	<u>Sales and Distributions</u>	<u>Total Gains (Losses) & Fees</u>	<u>Ending Balance</u>
Pooled investment funds	<u>\$ 330,717</u>	<u>\$ 5,917</u>	<u>\$ -</u>	<u>\$ 79,852</u>	<u>\$ 416,486</u>

	2020				
	<u>Beginning Balance</u>	<u>Purchases</u>	<u>Sales and Distributions</u>	<u>Total Gains (Losses) & Fees</u>	<u>Ending Balance</u>
Pooled investment funds	<u>\$ 310,628</u>	<u>\$ 2,740</u>	<u>\$ -</u>	<u>\$ 17,349</u>	<u>\$ 330,717</u>

5 PROGRAM UNDERWRITING CONTRACTS

Program underwriting contracts revenue consisted of the following:

	<u>2021</u>	<u>2020</u>
Business memberships	\$ 322,266	\$ 369,793
Underwriting contracts	<u>1,499,609</u>	<u>1,490,400</u>
	<u>\$ 1,821,875</u>	<u>\$ 1,860,193</u>

TEXAS PUBLIC RADIO

NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

6 PROPERTY AND EQUIPMENT

Property and equipment of TPR consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 16,000	\$ 16,000
Broadcast equipment	2,096,113	2,011,544
Theater equipment	44,107	-
Library	28,701	28,701
Furniture, fixtures and equipment	998,415	790,643
Leasehold improvements	7,818,078	19,265
Construction in progress	-	7,105,595
	<u>11,001,414</u>	<u>9,971,748</u>
Less accumulated depreciation	<u>(1,495,260)</u>	<u>(1,111,982)</u>
Net property and equipment	<u>\$ 9,506,154</u>	<u>\$ 8,859,766</u>

Leasehold improvements consist of improvements to TPR's leased facilities at the Alameda Theater complex. As TPR has the option to renew that lease through 2076 and intends to exercise those renewals, leasehold improvements will be depreciated over the expected useful life of each asset rather than the expected duration of the lease, as the lease duration is expected to exceed the useful lives of the assets.

7 DEBT

Revolving Line of Credit

TPR has a \$250,000 revolving line of credit with a financial institution, which matures on August 1, 2022. Advances on the unsecured line of credit bear interest at the Bank's floating prime rate of 4.25%. At September 30, 2021, TPR had a \$-0- balance, with an available amount on the line of credit of \$250,000.

Note Payable

TPR has a note payable to a financial institution that matures on July 11, 2023, is secured by business assets, and has an outstanding principal balance of \$1,379,513 and \$4,729,513 at September 30, 2021 and 2020, respectively. On October 1, 2021, the loan agreement was amended. Under the new terms of the agreement, TPR is to make monthly interest-only payments with interest at 3.96%, with a balloon payment for the full principal balance of the loan due in July 2023. The classification of the note payable balance as of September 30, 2021, and the schedule of future maturities of long-term debt, reflect this amended loan agreement.

Payroll Protection Program Note Payable

TPR received a loan in April 2020 under the Small Business Administration Paycheck Protection Program (PPP), which TPR elected to account for as debt. This loan may be forgiven, in part or in full, if TPR meets certain criteria for the purpose and timing of expenditures of the proceeds from the loan. TPR elected to account for this loan as debt, and accordingly, it was included in liabilities at September 30, 2020.

During the year ended September 30, 2021, TPR received forgiveness of the full balance of this loan. Accordingly, the liability for this loan was written off and \$669,000 was recognized as income in the year ended September 30, 2021.

The future scheduled maturities of long-term debt are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ -
2023	1,379,513
	<u>\$ 1,379,513</u>

TPR incurred interest in the amount of \$121,715 and \$213,171 during the years ended September 30, 2021 and 2020, respectively, of which \$99,311 and \$213,171, respectively, was capitalized under construction in progress.

TEXAS PUBLIC RADIO

NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

8 LEASES

TPR leases its main facility at the Alameda Theater complex under a sublease with the Alameda Theater Company, which in turn leases the property from the city of San Antonio, at a nominal rate of \$10 per year. The initial lease period runs through September 30, 2036, after which it will be automatically extended for four successive periods of 10 years each unless TPR opts out. Initial renovations and construction to prepare the property for use was jointly funded by TPR, the city of San Antonio, Bexar County, and the Alameda Theater Company. TPR's share of the costs have been recorded as leasehold improvements, which TPR began depreciating after occupying the property during the year ended September 30, 2021.

TPR also leases facilities under several operating leases expiring at various dates through December 2034. The following are future minimum rental payments under these leases:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 153,474
2023	129,223
2024	22,810
2025	22,810
2026	22,810
Thereafter	182,400
	<u>\$ 533,527</u>

TPR leases its office equipment under one operating lease that expires in November 2025. The following are future minimum rental payments under these leases:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 3,623
2023	3,623
2024	3,623
2025	3,623
2026	604
	<u>\$ 15,096</u>

Total rent payments on these leases for the years ended September 30, 2021 and 2020 were \$192,368 and \$277,303, respectively.

9 RETIREMENT PLAN

TPR has established a Simple IRA retirement plan under which TPR will contribute to any eligible employee's IRA plan, a total of 2% of their annual salary. An eligible employee is an employee who earned at least \$5,000 per year, including part-time employees. The total retirement contributions for the years ended September 30, 2021 and 2020 were \$65,567 and \$61,330, respectively.

10 FUNDRAISING EXPENSE

Total fundraising expense for the years ended September 30, 2021 and 2020 was \$723,934 and \$698,713, respectively.

TEXAS PUBLIC RADIO

NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

11 NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2021 and 2020, net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose or time period:		
Challenge grants	\$ 59,000	\$ 46,313
Other grants	182,402	185,966
Pledges	-	420,270
Capital campaign	<u>871,776</u>	<u>2,000,969</u>
Total net assets subject to expenditure for specified purpose or time period:	1,113,178	2,653,518
Subject to restrictions that are perpetual in nature:		
Endowment corpus for support of TPR	<u>411,669</u>	<u>325,900</u>
Total net assets with donor restrictions	<u>\$ 1,524,847</u>	<u>\$ 2,979,418</u>

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose or time restrictions:		
Challenge grants released	\$ 46,313	\$ 93,100
Other grants released	577,491	125,642
Accrued pledges	420,270	456,963
Capital campaign expenditures	<u>1,199,443</u>	<u>4,825,855</u>
Net assets released from restriction	<u>\$ 2,243,517</u>	<u>\$ 5,501,560</u>

12 ENDOWMENT FUNDS

General Information

The Foundation maintains various endowment funds established for specific purposes. These endowments include both donor-restricted endowment contributions and funds designated by the Board of Directors to function as endowments. The donor-restricted endowment funds fall under the provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) which was adopted by the State of Texas with an effective date of September 1, 2007. The Foundation formally adopted UPMIFA during the year ended September 30, 2012.

Background

In July 2006, the Uniform Law Commission (ULC) approved UPMIFA as a modernized version of the Uniform Management of Institutional Funds Act of 1972 (UMIFA) which governed the investment and management of donor-restricted endowment funds by not-for-profit organizations. The major change of the new law is that UPMIFA prescribes new guidelines for expenditure of a donor-restricted endowment fund when there are no explicit donor stipulations. These guidelines require the Foundation to determine what constitutes prudent spending based upon consideration of the donor's intent that the endowment fund continues permanently, the purpose of the fund, and relevant economic factors. UPMIFA emphasizes the perpetuation of the purchasing power of the fund, not just the original dollars contributed to the fund. Although the Act does not require that a specified amount be set aside as principal, the Act assumes that an organization will preserve "principal" by maintaining the purchasing power of amounts contributed and will spend "income" by making distributions using a reasonable spending rate.

(Continued)

TEXAS PUBLIC RADIO

NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

12 ENDOWMENT FUNDS (Continued)

Endowment Investment Objectives

Endowment investments are managed by professional money managers under the direction of the Finance Committee of the Board of Directors of the Foundation. Funds are invested in a manner that seeks to produce results that meet or exceed the performance of generally recognized market indices while assuming a moderate level of investment risk.

To satisfy this performance objective, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment "Income" Appropriation (Spending Policy)

During 2011, the Finance Committee began developing and finalizing the Foundation's spending policy. In establishing this policy, the Foundation considered the long-term expected return on its endowment and the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as provide additional real growth through new gifts and investment return.

The Foundation's goal is to produce investment returns over time sufficient to provide for the growth of the portfolio after funding the present and anticipated spending needs of the Foundation. In establishing its investment and spending policies, the Foundation has considered the anticipated financial needs of the organization; the preservation of the corpus of assets by achieving returns in excess of the rate of inflation, spending, and expenses over the investment horizon; and an emphasis on long-term growth of the portfolio while avoiding excess risk.

Under the investment policy as amended in September 2021, the Foundation may spend up to 10 percent of the Foundation's average investment portfolio returns over the previous eight calendar quarters. Additional withdrawals may be allowed at the recommendation of management with the approval of the Finance Committee and the Board of Directors. It is understood that successive low or negative return years may necessitate utilization of funds from the principal balance of the Endowment's fund in order to meet the annual budget, and that in years when returns exceed expectations the additional earnings will be used to restore principal and to generate "future savings" balances for years of low investment returns.

In accordance with the formal adoption of UPMIFA, the Investment Committee of the Foundation has reviewed its spending policy and takes into consideration the following factors in making a determination to appropriate (spend) or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic and investment market conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation and
7. The investment policies of the Foundation

(Continued)

TEXAS PUBLIC RADIO

NOTES TO COMBINED FINANCIAL STATEMENTS
(Continued)

12 ENDOWMENT FUNDS (Continued)

Endowment net asset composition by type of fund as of September 30, 2021 and 2020 is as follows:

2021			
	Without Donor Restrictions	With Donor Restrictions	
		Time or Purpose	Perpetual in Nature
			Total Endowment
Donor-restricted endowment funds	\$ -	\$ -	\$ 411,669
Board-designated endowment funds	4,817	-	-
Total endowment funds	<u>\$ 4,817</u>	<u>\$ -</u>	<u>\$ 411,669</u>
			<u>\$ 416,486</u>

2020			
	Without Donor Restrictions	With Donor Restrictions	
		Time or Purpose	Perpetual in Nature
			Total Endowment
Donor-restricted endowment funds	\$ -	\$ -	\$ 325,900
Board-designated endowment funds	4,817	-	-
Total endowment funds	<u>\$ 4,817</u>	<u>\$ -</u>	<u>\$ 325,900</u>
			<u>\$ 330,717</u>

Changes in endowment net assets for the years ended of September 30, 2021 and 2020 were as follows:

2021			
	Without Donor Restrictions	With Donor Restrictions	
		Time or Purpose	Perpetual in Nature
			Total Endowment
Endowment net assets, beginning of year	\$ 4,817	\$ -	\$ 325,900
Contributions	-	-	5,917
Transfers	-	-	-
Investment income	-	-	(2,416)
Net appreciation (depreciation)	-	-	82,268
Amounts appropriated for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ 4,817</u>	<u>\$ -</u>	<u>\$ 411,669</u>
			<u>\$ 416,486</u>

2020			
	Without Donor Restrictions	With Donor Restrictions	
		Time or Purpose	Perpetual in Nature
			Total Endowment
Endowment net assets, beginning of year	\$ 4,817	\$ -	\$ 305,811
Contributions	-	-	2,740
Transfers	-	-	-
Investment income	-	-	205
Net appreciation (depreciation)	-	-	17,144
Amounts appropriated for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ 4,817</u>	<u>\$ -</u>	<u>\$ 325,900</u>
			<u>\$ 330,717</u>

TEXAS PUBLIC RADIO

NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

13 NONCASH COMMODITIES AND SERVICES

Contributed services not meeting the requirements for recognition in the financial statements and used primarily in connection with fundraising efforts, are as follows:

	<u>2021</u>	<u>2020</u>
Commodities	\$ 19,396	\$ 60,839
Services	<u>20,725</u>	<u>27,167</u>
	<u>\$ 40,121</u>	<u>\$ 88,006</u>

14 REVENUE AND SUPPORT CONCENTRATIONS

Each year, TPR receives Community Service Grants (CSGs) from the Corporation for Public Broadcasting (CPB). In addition to this annual funding, in 2021 TPR received a one-time grant in the amount of \$293,343 from the CPB under the American Rescue Plan Act of 2021. TPR received additional support from the federal government in 2021 in the form of forgiveness of its PPP loan, which resulted in the recognition of \$669,000 of grant revenue. Under these grants, total federal support for the years ended September 30, 2021 and 2020 totaled \$1,442,308 and \$543,832, respectively, which amounted to 22.3% and 8.5% of total support and revenue, respectively.

15 COMMITMENTS AND CONTINGENCIES

During the year ended September 30, 2018, TPR signed an agreement to lease property in downtown San Antonio through 2036, but was not scheduled to occupy that property until 2020. In conjunction with this lease agreement, TPR signed a funding agreement to provide approximately \$5,500,000 in funding towards renovations of the leased property. In addition to TPR's funding commitment, the City of San Antonio and Bexar County also provided approximately \$7,500,000 total in funding towards renovations of the leased property. The funds are held in the custody of the City of San Antonio pursuant to an escrow agreement, and disbursements are made to reimburse TPR for expenditures made in the course of the project. TPR has recorded an asset for its share of the funds held in escrow, which was \$110,611 and \$621,118 at September 30, 2021 and 2020, respectively. TPR has also recorded a receivable for project expenditures that are to be reimbursed from the City of San Antonio and Bexar County shares of the escrow fund, which totaled \$-0- and \$690,732 at September 30, 2021 and 2020, respectively. In 2019 and 2020, TPR entered into additional funding agreements for the project with the City of San Antonio and Alameda Theater Conservancy, and has recorded receivables totaling \$69,301 and \$1,325,408 as of September 30, 2021 and 2020, respectively, for project expenditures to be reimbursed under those agreements.

As of September 30, 2021 and 2020, TPR had \$-0- and \$7,105,595, respectively, in construction in progress for leasehold improvements related to this property. During the year ended September 30, 2021, TPR moved into this property, at which point construction in progress was reclassified to leasehold improvements.

TEXAS PUBLIC RADIO

NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

16 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects TPR's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year for general purposes include amounts restricted for expenditure in the upcoming fiscal year. Accounts receivable are subject to an implied time restriction but are expected to be collected within one year, except for amounts that are due in future years.

Cash and cash equivalents	\$ 3,093,071
Investments, unrestricted	4,824
Investments restricted for endowment	416,486
Cash and investments held in escrow	110,611
Receivables:	
Accounts receivable	6,143
Promises to give, net	853,436
Underwriting	262,878
Financial assets at year end	<u>4,747,449</u>
Less those unavailable for general expenditure within one year, due to:	
Promises to give, long-term, net	(208,691)
Investments restricted for endowment	(416,486)
Cash and investments held in escrow	(110,611)
Donor-restricted to expenditure for specific purposes	<u>(904,487)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,107,174</u>

As part of TPR'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. At September 30, 2021, TPR has financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 181 days of average operating expenses.

17 SUBSEQUENT EVENTS

The COVID-19 pandemic developed rapidly in 2020, with a significant number of cases developing in the region. Measures taken by various governments to contain the virus, as well as changes in behavior by regular donors and event participants in response to the pandemic, have affected economic activity in our area. TPR has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for TPR's people (including social distancing and working from home).

Since April 2020, the impact on TPR has been significant, with significant changes to funding sources and a general shift towards social distancing practices and working from home for many TPR employees as a result of measures intended to mitigate the pandemic. These disruptions have continued into the new fiscal year, and it is uncertain as to when TPR will be able to resume normal, routine operations. As such, it is difficult to predict the impact the pandemic might have on TPR's finances, other than the fact that temporary declines in certain revenues and expenses may continue into the new fiscal year. TPR will continue to follow government and expert advice and, in parallel, TPR will do its utmost to continue its operations in the best and safest way possible.