

FRIENDS OF WLRN, INC.
(A FLORIDA NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

FRIENDS OF WLRN, INC.
(A FLORIDA NOT-FOR-PROFIT CORPORATION)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Friends of WLRN, Inc.
(A Florida Not-For-Profit Corporation)

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Friends of WLRN, Inc. (the "Corporation"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively the "Financial Statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation 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 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 Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 and *Government 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 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 and *Government Auditing Standards*, 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 Corporation'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 Corporation'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining schedules of activities are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of activities are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL
September 28, 2022

FRIENDS OF WL RN, INC.
(A FLORIDA NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

| | 2022 | 2021 |
|---|-----------------------------|-----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 4,388,893 | \$ 1,873,749 |
| Accounts receivable, net of allowance of approximately \$59,000 and \$66,000 for 2022 and 2021, respectively | 446,934 | 497,500 |
| Membership contributions receivable, net | 1,088,442 | 1,053,353 |
| Prepaid expenses | 38,341 | 9,592 |
| Endowment investments in marketable securities (Note 10) | 21,975,704 | 25,923,292 |
| Deferred lease asset | 7,124,387 | 6,680,855 |
| Furniture and equipment, net of accumulated depreciation | <u>10,116</u> | <u>25,275</u> |
| Total Assets | <u><u>\$ 35,072,817</u></u> | <u><u>\$ 36,063,616</u></u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 242,476 | \$ 330,448 |
| Deferred revenue | <u>132,520</u> | <u>136,045</u> |
| Total Liabilities | <u>374,996</u> | <u>466,493</u> |
| Net Assets | | |
| Without donor restrictions | 34,485,692 | 35,312,494 |
| With donor restrictions | <u>212,129</u> | <u>284,629</u> |
| Total Net Assets | <u>34,697,821</u> | <u>35,597,123</u> |
| Total Liabilities and Net Assets | <u><u>\$ 35,072,817</u></u> | <u><u>\$ 36,063,616</u></u> |

The accompanying notes are an integral part of these consolidated financial statements.

FRIENDS OF WLRN, INC.
(A FLORIDA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Support and Revenues | | | |
| Underwriting | \$ 3,887,254 | \$ -- | \$ 3,887,254 |
| Membership | 5,322,050 | -- | 5,322,050 |
| Bequests | 239,365 | -- | 239,365 |
| Miscellaneous income | 136,489 | -- | 136,489 |
| Major gifts | 305,761 | -- | 305,761 |
| Production (local and national) | 225 | -- | 225 |
| Dividend and interest income | 54 | -- | 54 |
| Net assets released from restrictions | <u>72,500</u> | <u>(72,500)</u> | <u>--</u> |
| Total Support and Revenues | <u>9,963,698</u> | <u>(72,500)</u> | <u>9,891,198</u> |
| Contributions and Expenses | | | |
| Contributions to WLRN TV and FM stations: | | | |
| Programming and production | 1,593,431 | -- | 1,593,431 |
| Broadcasting | 249,211 | -- | 249,211 |
| Program information and promotion | 80,483 | -- | 80,483 |
| Management and general | 454,796 | -- | 454,796 |
| Equipment | 67,669 | -- | 67,669 |
| South Florida Public Media | <u>2,878,846</u> | <u>--</u> | <u>2,878,846</u> |
| Total contributions to WLRN TV and FM stations for program services: | <u>5,324,436</u> | <u>--</u> | <u>5,324,436</u> |
| Friends of WLRN supporting activities expenses: | | | |
| Membership | 1,531,598 | -- | 1,531,598 |
| Underwriting | 920,480 | -- | 920,480 |
| Management and general | 1,304,012 | -- | 1,304,012 |
| Cultural connection | <u>376</u> | <u>--</u> | <u>376</u> |
| Total Friends of WLRN supporting activities expenses | <u>3,756,466</u> | <u>--</u> | <u>3,756,466</u> |
| Total Contributions and Expenses | <u>9,080,902</u> | <u>--</u> | <u>9,080,902</u> |
| Change in Net Assets before Other Income and Expenses | 882,796 | (72,500) | 810,296 |
| Other Income and Expenses | | | |
| Loss on investments - Endowment (Note 10) | (4,050,694) | -- | (4,050,694) |
| Dividend and interest income - Endowment (Note 10) | 573,096 | -- | 573,096 |
| Wireless cable | <u>1,768,000</u> | <u>--</u> | <u>1,768,000</u> |
| Total Other Income and Expenses | <u>(1,709,598)</u> | <u>--</u> | <u>(1,709,598)</u> |
| Change in Net Assets | (826,802) | (72,500) | (899,302) |
| Net Assets - Beginning | <u>35,312,494</u> | <u>284,629</u> | <u>35,597,123</u> |
| Net Assets - Ending | <u>\$ 34,485,692</u> | <u>\$ 212,129</u> | <u>\$ 34,697,821</u> |

The accompanying notes are an integral part of these consolidated financial statements.

FRIENDS OF WLRN, INC.
(A FLORIDA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Support and Revenues | | | |
| Underwriting | \$ 2,788,979 | \$ -- | \$ 2,788,979 |
| Membership | 5,224,987 | -- | 5,224,987 |
| Bequests | 23,950 | -- | 23,950 |
| Miscellaneous income | 150,639 | -- | 150,639 |
| Major gifts | 121,785 | -- | 121,785 |
| Production (local and national) | 150 | -- | 150 |
| Gain on investments | 21 | -- | 21 |
| Dividend and interest income | 119 | -- | 119 |
| Total Support and Revenues | 8,310,630 | -- | 8,310,630 |
| Contributions and Expenses | | | |
| Contributions to WLRN TV and FM stations: | | | |
| Programming and production | 1,795,902 | -- | 1,795,902 |
| Broadcasting | 44,530 | -- | 44,530 |
| Program information and promotion | 62,742 | -- | 62,742 |
| Management and general | 379,632 | -- | 379,632 |
| Equipment | 37,867 | -- | 37,867 |
| South Florida Public Media | 2,787,366 | -- | 2,787,366 |
| Total Contributions to WLRN TV and FM Stations for Program Services: | 5,108,039 | -- | 5,108,039 |
| Friends of WLRN supporting activities expenses: | | | |
| Membership | 1,892,713 | -- | 1,892,713 |
| Underwriting | 839,933 | -- | 839,933 |
| Management and general | 1,132,841 | -- | 1,132,841 |
| Cultural connection | 369 | -- | 369 |
| Total Friends of WLRN Supporting Activities Expenses | 3,865,856 | -- | 3,865,856 |
| Total Contributions and Expenses | 8,973,895 | -- | 8,973,895 |
| Change in Net Assets before Other Income and Expenses | (663,265) | -- | (663,265) |
| Other Income and Expenses | | | |
| Gain on investments - Endowment (Note 10) | 4,880,287 | -- | 4,880,287 |
| Dividend and interest income - Endowment (Note 10) | 518,626 | -- | 518,626 |
| Gain on forgiveness of note payable | 705,000 | -- | 705,000 |
| Grant to the School Board of Miami-Dade County | (554,400) | -- | (554,400) |
| Wireless cable | 1,768,000 | -- | 1,768,000 |
| Total Other Income and Expenses | 7,317,513 | -- | 7,317,513 |
| Change in Net Assets | 6,654,248 | -- | 6,654,248 |
| Net Assets - Beginning | 28,658,246 | 284,629 | 28,942,875 |
| Net Assets - Ending | \$ 35,312,494 | \$ 284,629 | \$ 35,597,123 |

The accompanying notes are an integral part of these consolidated financial statements.

FRIENDS OF WLRN, INC.
(A FLORIDA NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

| | Program Services | | | Supporting Activities | | | | | Total Program and Supporting Expenses |
|--|---------------------|-------------------|---------------------|-----------------------|-------------------|------------------------|---------------------|---------------------|---------------------------------------|
| | FM Station | WLRN TV | Total Program | Membership | Underwriting | Management and General | Cultural Connection | Total Supporting | |
| Expenses | | | | | | | | | |
| Salaries and benefits | \$ 2,410,410 | \$ 148,048 | \$ 2,558,458 | \$ 521,330 | \$ 747,742 | \$ 837,463 | \$ -- | \$ 2,106,535 | \$ 4,664,993 |
| Program acquisition | 984,495 | 418,786 | 1,403,281 | 9,600 | -- | 500 | -- | 10,100 | 1,413,381 |
| Technology | 271,557 | 99,593 | 371,150 | 70,312 | 52,579 | 31,775 | -- | 154,666 | 525,816 |
| Professional services | 152,472 | 80,328 | 232,800 | 107,602 | 42,964 | 139,679 | -- | 290,245 | 523,045 |
| Bad debt expense | -- | -- | -- | 309,170 | -- | -- | -- | 309,170 | 309,170 |
| Interest, credit cards, and bank fees | -- | -- | -- | 105,430 | 23,487 | 168,199 | 376 | 297,492 | 297,492 |
| Audience research | 94,922 | 118,149 | 213,071 | -- | -- | -- | -- | -- | 213,071 |
| Direct mail | -- | -- | -- | 185,771 | -- | -- | -- | 185,771 | 185,771 |
| Rent, utilities and related expenses | 126,652 | 2,604 | 129,256 | 10,417 | 10,417 | 30,443 | -- | 51,277 | 180,533 |
| News related expenses | 146,593 | -- | 146,593 | -- | -- | -- | -- | -- | 146,593 |
| Premiums and pledge drives | -- | -- | -- | 125,587 | -- | -- | -- | 125,587 | 125,587 |
| Phone services | 17,792 | 3,242 | 21,034 | 36,894 | 6,151 | 9,187 | -- | 52,232 | 73,266 |
| Production and grants | 72,500 | -- | 72,500 | -- | -- | -- | -- | -- | 72,500 |
| Equipment | 16,112 | 51,620 | 67,732 | 335 | -- | 1,255 | -- | 1,590 | 69,322 |
| Hospitality | 7,537 | 5,222 | 12,759 | 5,349 | 11,688 | 13,560 | -- | 30,597 | 43,356 |
| Dues and fees, memberships, and licenses | 13,114 | 18,589 | 31,703 | 9,722 | -- | 722 | -- | 10,444 | 42,147 |
| Supplies, postage, and mailing | 14,677 | 11,835 | 26,512 | 9,714 | 4,651 | 662 | -- | 15,027 | 41,539 |
| Other expenses | 2,870 | 2,119 | 4,989 | 6,328 | 12,744 | 8,345 | -- | 27,417 | 32,406 |
| Special events and sponsorships | -- | -- | -- | 10,571 | -- | 20,826 | -- | 31,397 | 31,397 |
| Insurance | 5,209 | 306 | 5,515 | 1,226 | 1,226 | 22,042 | -- | 24,494 | 30,009 |
| Seminars and conferences | 16,653 | 535 | 17,188 | 1,300 | 9 | 7,958 | -- | 9,267 | 26,455 |
| Depreciation | -- | -- | -- | 4,913 | 5,110 | 9,507 | -- | 19,530 | 19,530 |
| Mileage reimbursements | 8,862 | 1,033 | 9,895 | 27 | 1,712 | 1,889 | -- | 3,628 | 13,523 |
| Total Expenses | \$ 4,362,427 | \$ 962,009 | \$ 5,324,436 | \$ 1,531,598 | \$ 920,480 | \$ 1,304,012 | \$ 376 | \$ 3,756,466 | \$ 9,080,902 |

The accompanying notes are an integral part of these consolidated financial statements.

FRIENDS OF WLRN, INC.
(A FLORIDA NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

| | Program Services | | | Supporting Activities | | | | | Total Program and Supporting Expenses |
|---|---------------------|-------------------|---------------------|-----------------------|-------------------|------------------------|---------------------|---------------------|---------------------------------------|
| | FM Station | WLRN TV | Total Program | Membership | Underwriting | Management and General | Cultural Connection | Total Supporting | |
| Expenses | | | | | | | | | |
| Salaries and benefits | \$ 2,478,046 | \$ 147,038 | \$ 2,625,084 | \$ 561,482 | \$ 654,349 | \$ 616,635 | \$ -- | \$ 1,832,466 | \$ 4,457,550 |
| Program acquisition | 1,182,661 | 287,835 | 1,470,496 | -- | -- | -- | -- | -- | 1,470,496 |
| Bad debt expense | -- | -- | -- | 531,591 | 19,414 | -- | -- | 551,005 | 551,005 |
| Technology | 272,156 | 74,694 | 346,850 | 37,139 | 66,576 | 30,742 | -- | 134,457 | 481,307 |
| Professional services | 51,110 | 78,029 | 129,139 | 197,433 | 50,430 | 103,498 | -- | 351,361 | 480,500 |
| Interest, credit cards, and bank fees | -- | -- | -- | 104,123 | 19,733 | 157,705 | 369 | 281,930 | 281,930 |
| Audience research | 93,170 | 116,142 | 209,312 | -- | -- | -- | -- | -- | 209,312 |
| Premiums and pledge drives | -- | -- | -- | 183,795 | -- | -- | -- | 183,795 | 183,795 |
| Rent, utilities and related expenses | 79,201 | -- | 79,201 | -- | -- | 81,600 | -- | 81,600 | 160,801 |
| Direct mail | -- | -- | -- | 158,138 | -- | -- | -- | 158,138 | 158,138 |
| News related expenses | 121,000 | -- | 121,000 | -- | -- | 19,327 | -- | 19,327 | 140,327 |
| Supplies, postage, and mailing | 9,004 | 13,381 | 22,385 | 6,447 | 2,103 | 60,018 | -- | 68,568 | 90,953 |
| Phone services | 16,834 | 5,086 | 21,920 | 50,174 | 5,544 | 8,736 | -- | 64,454 | 86,374 |
| Equipment | 19,759 | 23,362 | 43,121 | -- | -- | -- | -- | -- | 43,121 |
| Sustainer program | -- | -- | -- | 38,767 | -- | -- | -- | 38,767 | 38,767 |
| Dues and fees, memberships, and license | 5,222 | 16,693 | 21,915 | 8,431 | 512 | 503 | -- | 9,446 | 31,361 |
| Depreciation | -- | -- | -- | 7,380 | 5,673 | 14,323 | -- | 27,376 | 27,376 |
| Other expenses | 2,611 | 4,604 | 7,215 | 6,155 | 6,537 | 5,746 | -- | 18,438 | 25,653 |
| Insurance | -- | -- | -- | -- | -- | 24,002 | -- | 24,002 | 24,002 |
| Hospitality | 4,505 | 1,129 | 5,634 | 1,562 | 8,315 | 6,267 | -- | 16,144 | 21,778 |
| Seminars and conferences | 1,823 | 198 | 2,021 | -- | -- | 1,875 | -- | 1,875 | 3,896 |
| Mileage reimbursements | 2,518 | 228 | 2,746 | 96 | 747 | 282 | -- | 1,125 | 3,871 |
| Special events and sponsorships | -- | -- | -- | -- | -- | 1,582 | -- | 1,582 | 1,582 |
| Total Expenses | <u>\$ 4,339,620</u> | <u>\$ 768,419</u> | <u>\$ 5,108,039</u> | <u>\$ 1,892,713</u> | <u>\$ 839,933</u> | <u>\$ 1,132,841</u> | <u>\$ 369</u> | <u>\$ 3,865,856</u> | <u>\$ 8,973,895</u> |

The accompanying notes are an integral part of these consolidated financial statements.

FRIENDS OF WLRN, INC.
(A FLORIDA NOT-FOR-PROFIT CORPORATION)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ (899,302) | \$ 6,654,248 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 19,530 | 27,376 |
| Bad debt expense | 309,170 | 551,005 |
| (Gain)/loss on investments | 4,050,694 | (4,880,308) |
| Gain on forgiveness of note payable | -- | (705,000) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | 50,566 | (65,515) |
| Membership contributions receivable | (344,259) | (497,376) |
| Deferred lease asset | (443,532) | (447,990) |
| Prepaid expenses | (28,749) | (8,109) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (87,972) | (138,423) |
| Deferred revenue | (3,525) | 62,643 |
| Net Cash Provided by Operating Activities | <u>2,622,621</u> | <u>552,551</u> |
| Cash Flows From Investing Activities | | |
| Acquisition of furniture and equipment | (4,371) | (4,857) |
| Purchases of investments | (6,940,864) | (6,385,635) |
| Sales of investments | <u>6,837,758</u> | <u>5,222,350</u> |
| Net Cash Used in Investing Activities | <u>(107,477)</u> | <u>(1,168,142)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 2,515,144 | (615,591) |
| Cash and Cash Equivalents - Beginning | <u>1,873,749</u> | <u>2,489,340</u> |
| Cash and Cash Equivalents - Ending | <u>\$ 4,388,893</u> | <u>\$ 1,873,749</u> |
| Supplemental Disclosure of Cash Flow Information | | |
| Forgiveness of note payable | \$ -- | \$ 705,000 |

The accompanying notes are an integral part of these consolidated financial statements.

FRIENDS OF WLRN, INC.
(A FLORIDA NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - ORGANIZATION

Friends of WLRN, Inc. (the “Corporation”) was incorporated on January 22, 1974 under the laws of the State of Florida pursuant to Section 617.0201 (4) of the Florida Not-For-Profit Corporation Act. The purpose of the Corporation is to support and enhance the program services of WLRN-FM 91.3, WKWM-FM 91.5 and WLRN-TV Channel 17 (“WLRN”) as well as other broadcast and non-broadcast services licensed to and/or operated by the School Board of Miami-Dade County, Florida (“MDCPS”). This is accomplished through fundraising activities, creation and/or participation in broadcast and non-broadcast activities which generate revenues, and informational and educational activities which promote understanding, appreciation and support for WLRN. On January 10, 2022, the Corporation entered in a Management and Program Services Agreement with the MDCPS to undertake management and programming operations for WLRN stations under the supervision of MDCPS effective July 1, 2022.

During the fiscal year 2009, the Corporation reactivated an affiliated nonprofit corporation, South Florida Public Media Company, in order to support WLRN news activities. This entity is consolidated with Friends of WLRN Inc. in accordance with generally accepted accounting principles. The consolidated entity is referred to as “the Corporation” below. See principles of consolidation under significant accounting policies below.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and follow the requirements of the accounting standards for financial statements of not-for-profit organizations as prescribed by the Financial Accounting Standards Board (“FASB”). Under these standards, the Corporation is required to report information regarding its consolidated financial position and activities according to two categories of net assets: without donor restrictions and with donor restrictions. Net assets, revenues, expenses, gains and losses are categorized based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions

Net assets that are free of donor-imposed restrictions: all revenues, expenses, gains, and losses that are not changes in net assets with donor restrictions.

FRIENDS OF WLRN, INC.
(A FLORIDA NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets With Donor Restrictions

Net assets whose use by the Corporation is limited by donor-imposed restrictions that either expire by the passage of time, that can be fulfilled or otherwise removed by actions of the Corporation pursuant to those stipulations or are subject to donor-imposed restrictions that are required to be maintained in perpetuity by the Corporation.

PRINCIPLES OF CONSOLIDATION

Generally accepted accounting principles require the Corporation to consolidate entities in which it has control and an economic interest when that control is evidenced through majority ownership or voting interest. Friends of WLRN, Inc. has an economic interest in, and control of the board of South Florida Public Media Company through voting interest and therefore consolidation is required. All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments with original maturities of three months or less when acquired.

INVESTMENTS AND INVESTMENT INCOME

The Corporation's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. See Note 6 for discussion of fair value measurements.

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the accompanying consolidated statements of activities as an increase or decrease in net assets without donor restrictions unless income or loss is restricted by donor or law. Restricted gains and investment income, where the restrictions are met in the same reporting period as the income is earned, are recorded as support without donor restrictions.

ACCOUNTS RECEIVABLE

Accounts receivable includes underwriting revenues billed but not collected. The Corporation extends credit based on periodic evaluations of the customers' financial condition. Exposure to losses on receivables varies by customer. The Corporation monitors exposure to credit losses and records allowances for anticipated losses as needed.

FRIENDS OF WLRN, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Membership Contributions (Promises to Give)

Memberships are recognized as contributions by the Corporation and are initially reported at fair value. Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the year in which the contributions are recognized. All other contributions are reported as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and nature of the restrictions. When a restriction expires, net assets with donor restrictions are released to net assets without donor restrictions.

The Corporation uses the allowance method to determine the estimated unconditional promises receivable that are doubtful of collection. The allowance is based on prior years' experience and management's analysis of specific promises made.

Revenue from Contracts with Customers

The Corporation's revenue from contracts with customers consists of underwriting revenues, which, absent a specific restriction, are considered to be without donor restrictions. Revenue from underwriting is recognized over the term of the contract as the performance obligation is satisfied ratably throughout the contract period. Revenue from underwriting received prior to the beginning of the applicable period is recorded as deferred revenue in the accompanying consolidated statements of financial position.

Other Revenues

The Corporation receives additional revenue from grants and wireless cable which, absent a specific restriction, are considered to be without donor restrictions. The grants are recorded as revenue in the accompanying consolidated statements of activities when the related costs are incurred, as defined under the grant agreement. Revenue from the long-term broadband frequency lease, reported as wireless cable revenue, is recognized on the straight-line basis (see Note 12).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTED GOODS, SERVICES AND FACILITIES

The Corporation records contributed goods and certain services as contributions at their estimated fair value at the date of receipt. Contributed services are recognized as contributions at their estimated fair value, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. Services provided by volunteers throughout the year are not recognized as contributions in the consolidated financial statements since these services are not susceptible to objective measurement or valuation. Contributed facilities are reported at their estimated fair value and recognized as revenue when received and expenses as used.

RECOGNITION OF DONOR RESTRICTIONS

The Corporation reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 accompanying consolidated statements of activities as net assets released from restrictions.

FURNITURE AND EQUIPMENT

Furniture and equipment that is purchased is recorded at cost. Donated furniture and equipment are recorded at fair value at the date of donation. Furniture and Equipment with a value in excess of \$1,000 and with a useful life greater than one year are capitalized. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets. Repairs and maintenance are expensed as incurred.

DEFERRED LEASE ASSET

The deferred lease asset is comprised of Educational Broadband Services (“EBS”) lease revenue recognized but not yet collected in accordance with GAAP (see Note 12).

FRIENDS OF WL RN, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

The Corporation is a not-for-profit organization, as defined by section 501(c)(3) of the Internal Revenue Code, and as such is subject to federal income taxes only on unrelated business income. There were no significant income taxes resulting from unrelated business income during the years ended June 30, 2022 and 2021.

GAAP requires management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. If the Corporation were to incur an income tax liability in the future, interest would be reported as interest expense and penalties would be reported as income taxes. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

FUNCTIONAL EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the accompanying consolidated statements of activities and presented in further detail in the accompanying consolidated statements of functional expenses. Expenses are charged directly to functions based on a combination of specific identification and allocation by management. Accordingly, certain costs have been allocated among program services and supporting activities. The expenses allocated included insurance and office and occupancy expenses which are allocated based on the number of full-time equivalents in each area, as well as salaries and benefits, which are allocated based on an analysis of time spent and effort.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenue and expenses during the period reported. The primary estimates used in the preparation of these consolidated financial statements include the collectability of accounts receivable and promises to give and the allocation of natural expenses among functional categories. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

FRIENDS OF WL RN, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

In September 2020, the FASB issued Accounting Standards Update (“ASU”) 2020-07, *“Presentation and Disclosures by Not- for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)”*. This ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. This ASU requires the new standard to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting period beginning after June 15, 2022. Effective July 1, 2021, the Corporation adopted this ASU. The adoption of this ASU did not have a significant impact on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *“Leases (Topic 842)”*, which amends the guidance relating to the definition of a lease, recognition of lease assets and liabilities on the balance sheet, and the related disclosure requirements. This ASU is applicable for the Corporation for its annual reporting period beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022 (per extension ASU 2020-05). This ASU does allow for early adoption; however, the Corporation did not early adopt the ASU. Management is in the process of evaluating the ASU for the potential impact on its consolidated financial statements upon adoption.

In May 2014, the FASB issued ASU 2014-09, *“Revenue from Contracts with Customers (Topic 606)”*, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. This ASU outlines a single comprehensive model for recognizing revenue as performance obligations, defined in a contract with a customer as goods or services transferred to the customer in exchange for consideration, are satisfied. The standard also requires expanded disclosures regarding the Corporation's revenue recognition policies and significant judgments employed in the determination of revenue. In June 2020, the FASB issued ASU 2020-05, *“Revenue from Contracts with Customer (Topic 606) and Leases (Topic 842)”*, which was adopted by the Corporation. This ASU extends the effective date of ASU 2014-09 for one additional year and is applicable for the Corporation for its annual reporting period beginning on July 1, 2020. Effective July 1, 2020, the Corporation adopted this ASU utilizing the modified retrospective approach. Based on the Corporation's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption; therefore, the adoption of this ASU did not have a material impact on the consolidated financial statements and did not result in a prior period adjustment. The Corporation's revenue streams that fall within the scope of this ASU are described in Note 1.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through September 28, 2022, which was the date the consolidated financial statements were available to be issued, require adjustment to or disclosure in the consolidated financial statements.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents, investments, accounts and membership receivables and the deferred lease asset.

CASH AND CASH EQUIVALENTS

The Corporation maintains its cash in financial institutions which balances, from time to time, may exceed the federally insured limits. These balances are maintained at high quality financial institutions, which the Corporation believes limits the risk.

INVESTMENTS

Certain funds of the Corporation's investments portfolio may be subject to insurance by the Securities Investor Protection Corporation ("SIPC"). Management believes that the risk of loss with respect to the financial institutions has been limited by choosing strong institutions with which to do business and with the diversification of the portfolio's investments (see Note 6).

ACCOUNTS AND MEMBERSHIP RECEIVABLES

Concentrations of credit risk with respect to accounts and membership receivables are limited due to the large number of customers and members comprising the Corporation's underwriting and membership base and their dispersion across different industries and geographical locations.

DEFERRED LEASE ASSET

With regard to the deferred lease asset, management believes that credit risk is limited based on the stature of the payee under the lease.

FRIENDS OF WL RN, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES

As a fundraising organization, the Corporation receives significant contributions each year from donors, which are available to meet annual cash needs for general expenditures. Membership drives are conducted throughout the year and members make either one-time contributions or commit to continuing monthly payments as sustaining memberships. Underwriters pay for sponsorships when their support messages are aired on either radio or television.

All board-designated endowment funds can be made available to meet operating needs, if necessary (see Note 10). In addition to the financial assets available to meet general expenditures over the next twelve month period, the Corporation expects to generate sufficient support and revenues to meet general expenditures. Refer to the accompanying consolidated statements of cash flows which identifies the sources and uses of the Corporation's cash for the years ended June 30, 2022 and 2021.

FRIENDS OF WL RN, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

The following table reflects the Corporation's financial assets and the amounts of those financial assets that could be made readily available within one year to meet general expenditures:

| | As of June 30, | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| Financial Assets | | |
| Cash and cash equivalents | \$ 4,388,893 | \$ 1,873,749 |
| Accounts receivables, net of allowance | 446,934 | 497,500 |
| Membership contributions receivable, net of allowance | 1,088,442 | 1,053,353 |
| Investments | <u>21,975,704</u> | <u>25,923,292</u> |
| Total Financial Assets | <u>\$ 27,899,973</u> | <u>\$ 29,347,894</u> |
| Less: assets unavailable for general expenditures within one year due to: | | |
| Contractual or donor-imposed restrictions: | | |
| Restricted by donor with purpose restrictions | \$ (212,129) | \$ (284,629) |
| Board designated endowment, excluding amounts appropriated for expenditure from investments | <u>(22,928,070)</u> | <u>(25,678,558)</u> |
| Total Financial Assets Available to Meet General Expenditures over the Next 12 Months | <u>\$ 4,759,774</u> | <u>\$ 3,384,707</u> |

Amounts not available include amounts set aside for long-term investing in a board-designated endowment that could be drawn upon if the Board of Directors approves that action (see Note 10).

FRIENDS OF WL RN, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 5 - MEMBERSHIP CONTRIBUTIONS RECEIVABLE (PROMISES TO GIVE)

Membership contributions receivable (promises to give) as of June 30, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|--|----------------------------|----------------------------|
| Promises to Give in Less than One Year | \$ 1,280,520 | \$ 1,239,239 |
| Less: Allowance for Uncollectible Promises to Give | <u>(192,078)</u> | <u>(185,886)</u> |
| Net Promises to Give | <u><u>\$ 1,088,442</u></u> | <u><u>\$ 1,053,353</u></u> |

NOTE 6 - FAIR VALUE MEASUREMENTS

The Corporation follows Accounting Standards Codification (“ASC”) 820-10, *Fair Value Measurement and Disclosure* for measuring fair value. This guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This standard establishes a three-level hierarchy for fair value measurements based upon the significant inputs used to determine fair value. Observable inputs are those which are obtained from market participants external to the Corporation while unobservable inputs are generally developed internally, utilizing management’s estimates, assumptions and specific knowledge of the assets/liabilities and related markets. The three levels are defined as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access at the measurement date.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

FRIENDS OF WL RN, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3

Valuation is based on unobservable inputs for an asset or liability.

There have been no changes in the methodologies used at June 30, 2022 and 2021.

Following is a description of the valuation methodologies used for assets measured at fair value:

Common stocks (equity securities) are valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds are valued at the daily closing prices as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities Exchange Commission ("SEC"). These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Corporation are deemed to be actively traded.

The real estate fund and hedge fund are valued at net asset value available from the individual fund. The net asset value is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value. The underlying investments of the funds are valued at fair value on a monthly basis and provided to the Corporation by the investment account manager.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FRIENDS OF WL RN, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Corporation's investments at fair value as of June 30, 2022 and 2021:

| | As of June 30, 2022 | | | |
|--|----------------------|--------------|--------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equity securities | \$ 7,808,180 | \$ -- | \$ -- | \$ 7,808,180 |
| Mutual funds: | | | | |
| Equity securities | 6,211,578 | -- | -- | 6,211,578 |
| Fixed income | <u>5,974,395</u> | <u>--</u> | <u>--</u> | <u>5,974,395</u> |
| Total Investments by Fair Value Level | <u>\$ 19,994,153</u> | <u>\$ --</u> | <u>\$ --</u> | <u>19,994,153</u> |

Investments Measured at the
NAV:

| | |
|------------------|----------------|
| Real estate fund | 1,094,040 |
| Hedge fund | <u>887,511</u> |

Total Investments Measured
at the NAV 1,981,551

Total Investments \$ 21,975,704

| | As of June 30, 2021 | | | |
|--|----------------------|--------------|--------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equity securities | \$ 9,884,899 | \$ -- | \$ -- | \$ 9,884,899 |
| Mutual funds: | | | | |
| Equity securities | 7,247,520 | -- | -- | 7,247,520 |
| Fixed income | <u>8,790,873</u> | <u>--</u> | <u>--</u> | <u>8,790,873</u> |
| Total Investments by Fair Value Level | <u>\$ 25,923,292</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 25,923,292</u> |

FRIENDS OF WLRN, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

NET ASSET VALUE PER SHARE PRACTICAL EXPEDIENT

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient, including their related unfunded commitments and redemption restrictions as of June 30, 2022.

| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|--|----------------------------|-------------------------|-------------------------|--------------------------------|
| Hedge Fund: | | | | |
| Nineteen77 Global Multi-strategy (a) | \$ 887,511 | \$ -- | Quarterly | 90 days |
| Real Estate Fund: | | | | |
| Starwood Real Estate Income Trust, Inc. (b) | <u>1,094,040</u> | <u>--</u> | Monthly | 10 days |
| Total investments measured at the NAV | <u>\$ 1,981,551</u> | <u>\$ --</u> | | |

The following is a summary of the investment strategy of the investments valued using the NAV practical expedient:

- (a) The Fund is a multi-strategy hedge fund that seeks to generate alpha by investing in liquid, relative value strategies that generally exhibit minimal or negative correlation to each other. The Fund's objective is to realize consistently high risk adjusted absolute returns while employing strict risk management processes at both the aggregate Fund and sub-strategy levels to seek to preserve capital during market declines. The majority of the Fund is typically invested in equity securities in order for the Fund to maintain the liquidity necessary to be opportunistic in its approach and to capitalize on investment opportunities as well as manage risk.
- (b) The Fund's investment strategy is primarily to acquire stabilized, income-oriented commercial real estate. The portfolio principally is comprised of properties located in the United States. The investment manager may diversify the portfolio on a global basis through investments in properties outside of the United States, with a focus on Europe. Focus is set on investments in real estate related securities which provide current income, a source of liquidity for share repurchase plan and cash management.

FRIENDS OF WL RN, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 7 - FURNITURE AND EQUIPMENT

| | 2022 | 2021 | Estimated Useful Lives |
|--------------------------------------|-------------------------|-------------------------|---------------------------|
| Computer equipment | \$ 292,148 | \$ 287,777 | 3 years |
| Furniture and fixtures | 82,637 | 82,637 | 5 years |
| Leasehold improvements | <u>75,312</u> | <u>75,312</u> | 5 years |
| | 450,097 | 445,726 | |
| Less: Accumulated depreciation | <u>439,981</u> | <u>420,451</u> | |
| Total Furniture and Equipment | <u>\$ 10,116</u> | <u>\$ 25,275</u> | |

For the years ended June 30, 2022 and 2021, depreciation expense was approximately \$20,000 and \$27,000, respectively.

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions as of June 30, 2022 are as follows:

| | |
|--|-----------------------------|
| Undesignated | \$ 10,350,881 |
| Amount designated by the Board of Directors for general endowment (see Note 10) | <u>24,134,811</u> |
| Total Net Assets Without Donor Restrictions | <u>\$ 34,485,692</u> |

Net assets without donor restrictions as of June 30, 2021 are as follows:

| | |
|--|-----------------------------|
| Undesignated | \$ 8,282,433 |
| Amount designated by the Board of Directors for general endowment (see Note 10) | <u>27,030,061</u> |
| Total Net Assets Without Donor Restrictions | <u>\$ 35,312,494</u> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2022 is as follows:

| | |
|---|--------------------------|
| Subject to Expenditure for Specified Purpose | |
| Jo Asmundsson Production Fund | \$ 212,129 |
| Total Net Assets With Donor Restrictions | <u>\$ 212,129</u> |

Net assets with donor restrictions as of June 30, 2021 is as follows:

| | |
|---|--------------------------|
| Subject to Expenditure for Specified Purpose | |
| Jo Asmundsson Production Fund | \$ 284,629 |
| Total Net Assets With Donor Restrictions | <u>\$ 284,629</u> |

The Jo Asmundsson Production Fund is dedicated to funding original radio and television productions. The fund requires a dollar-for-dollar match from the Corporation. The funds are included in cash and cash equivalents in the accompanying consolidated financial statements of financial position. During the year ended June 30, 2022, net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

| | |
|--|-------------------------|
| Purpose Restrictions Accomplished | |
| Jo Asmundsson Production Fund | \$ 72,500 |
| Total Net Assets Released from Donor Restrictions | <u>\$ 72,500</u> |

During the year ended June 30, 2021, there were no net assets released from restrictions.

NOTE 10 - BOARD-DESIGNATED ENDOWMENT

The Corporation's board-designated endowment consists of funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

As of June 30, 2022, the board-designated endowment (net assets without donor restriction) was \$24,134,811 of which \$2,159,107 is included in cash and cash equivalents and \$21,975,704 is included in endowment investments in marketable securities in the accompanying consolidated statement of financial position. As of June 30, 2021, the

FRIENDS OF WLRN, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 10 - BOARD-DESIGNATED ENDOWMENT (CONTINUED)

board-designated endowment (net assets without donor restriction) was \$27,030,061 of which \$1,106,769 is included in cash and cash equivalents and \$25,923,292 is included in endowment investments in marketable securities in the accompanying consolidated statement of financial position.

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

| | June 30, 2022 | | |
|---|----------------------------------|-------------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment Net Assets - | | | |
| Beginning of year | \$ 27,030,061 | \$ -- | \$ 27,030,061 |
| Contributions | 734,365 | -- | 734,365 |
| Investment return - investment income | 573,096 | -- | 573,096 |
| Investment return - realized and unrealized gains (losses) | (4,050,694) | -- | (4,050,694) |
| Amounts distributed | -- | -- | -- |
| Asset management fees | (152,017) | -- | (152,017) |
| Endowment Net Assets - Ending | <u>\$ 24,134,811</u> | <u>\$ --</u> | <u>\$ 24,134,811</u> |
| | June 30, 2021 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment Net Assets - | | | |
| Beginning of year | \$ 20,922,536 | \$ -- | \$ 20,922,536 |
| Contributions | 1,400,002 | -- | 1,400,002 |
| Investment return - investment income | 518,626 | -- | 518,626 |
| Investment return - realized and unrealized gains (losses) | 4,880,287 | -- | 4,880,287 |
| Amounts distributed | (548,310) | -- | (548,310) |
| Asset management fees | (143,080) | -- | (143,080) |
| Endowment Net Assets - Ending | <u>\$ 27,030,061</u> | <u>\$ --</u> | <u>\$ 27,030,061</u> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 10 - BOARD-DESIGNATED ENDOWMENT (CONTINUED)

INTERPRETATION OF RELEVANT LAW

During 2011, the State of Florida enacted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). The term endowment fund as defined in UPMIFA does not include assets that an institution designates as an endowment fund for its own use. The endowment fund maintained by the Corporation is a board-designated endowment fund as of June 30, 2022 and 2021; therefore, the requirements of UPMIFA do not apply to the Corporation.

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with the endowment fund may fall below the level that the Corporation policies require to retain as a fund of perpetual duration. If this were to occur, the Corporation would not expend any monies from the fund until the fair value of the fund returns to a level above the principal. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets without donor restrictions. There were no deficiencies with the endowment fund as of June 30, 2022 and 2021.

INVESTMENT RETURN OBJECTIVES AND RISK PARAMETERS

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Finance and Endowment Committees, the endowment assets are invested in a manner that is in accordance with the investment policy.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Corporation 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 Corporation targets a diversified asset allocation designed to achieve its long-term return objectives within prudent risk constraints.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

In fiscal year 2014, the Corporation began appropriating for distribution each year up to 5% of the total endowment value, as measured by the preceding year’s ending value. The distributed amount may be increased by the affirmative vote of a majority of the members of the Finance and Endowment Committees.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 10 - BOARD-DESIGNATED ENDOWMENT (CONTINUED)

***SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY
(CONTINUED)***

In establishing this policy, the Corporation considered the long-term expected return on its endowment which is measured against one or more benchmarks approved by the Finance and Endowment Committees. Accordingly, over the long term, the Corporation expects the current spending policy to allow its endowment to grow at an amount greater than a composite, weighted benchmark, similarly approved. This is consistent with the Corporations' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 11 - PENSION PLANS

The Corporation offers its employees participation in the Friends of WLRN, Inc. 401(k) Plan ("401(k)"), a defined contribution plan, which became effective July 1, 2019. The Corporation contributes 10% of eligible plan compensation to Corporation employees who meet the eligibility requirements to participate in the 401(k) plan. Pension expense related to this plan was approximately \$347,000 and \$333,000 for the years ended June 30, 2022 and 2021, respectively.

NOTE 12 - LONG-TERM BROADBAND FREQUENCY LEASE

On July 24, 2008, the Corporation entered into a long-term lease agreement for its Educational Broadband Services frequencies to Clearwire Spectrum Holdings II LLC. Under current Federal Communications Corporation ("FCC") rules, licensees are allowed to lease out their "Excess Capacity" to commercial entities. The Corporation remains the licensee and will have the responsibility for compliance with all educational and other requirements imposed by the FCC.

FRIENDS OF WL RN, INC.
(A FLORIDA NOT-FOR-PROFIT CORPORATION)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 12 - LONG-TERM BROADBAND FREQUENCY LEASE (CONTINUED)

Lease payments will be received in monthly payments as follows:

| Years | Monthly | Annually |
|---------|-----------|------------|
| 1 | \$ 55,000 | \$ 660,000 |
| 2 | 55,000 | 660,000 |
| 3 | 55,000 | 660,000 |
| 4 | 55,000 | 660,000 |
| 5 | 55,000 | 660,000 |
| 6 - 10 | 75,000 | 900,000 |
| 11 - 15 | 110,000 | 1,320,000 |
| 16 - 20 | 145,000 | 1,740,000 |
| 21 - 25 | 189,000 | 2,268,000 |
| 26 - 30 | 235,000 | 2,820,000 |

During the years ended June 30, 2022 and 2021, the Corporation received \$1,320,000 under this agreement. Revenue under this lease agreement has been recognized on the accompanying consolidated statements of activities on a straight-line basis over 360 months. Total revenue recognized for both the year ended June 30, 2022 and 2021 on a straight-line basis was \$1,768,000. The deferred lease asset, which is included in the accompanying consolidated statements of financial position, was approximately \$7,124,000 and \$6,681,000 as of June 30, 2022 and 2021, respectively.

SUPPLEMENTARY INFORMATION

FRIENDS OF WLRN, INC.
(A FLORIDA NOT-FOR-PROFIT CORPORATION)

COMBINING SCHEDULES OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

| | TV | Radio | Total |
|---|-----------------------|--------------------|---------------------|
| Support and Revenues | | | |
| Underwriting | \$ 38,539 | \$ 3,848,715 | \$ 3,887,254 |
| Membership | 544,831 | 4,777,219 | 5,322,050 |
| Bequests | 95,847 | 143,518 | 239,365 |
| Miscellaneous income | 12,109 | 124,380 | 136,489 |
| Major gifts | 35,260 | 270,501 | 305,761 |
| Production (local and national) | 25 | 200 | 225 |
| Dividend and interest income | 5 | 49 | 54 |
| Total Support and Revenues | <u>726,616</u> | <u>9,164,582</u> | <u>9,891,198</u> |
| Contributions and Expenses | | | |
| Contributions to WLRN TV and FM stations: | | | |
| Programming and production | 505,678 | 1,087,753 | 1,593,431 |
| Broadcasting | 96,492 | 152,719 | 249,211 |
| Program information and promotion | 45,329 | 35,154 | 80,483 |
| Management and general | 153,259 | 301,537 | 454,796 |
| Equipment | 10,292 | 57,377 | 67,669 |
| South Florida Public Media | 150,959 | 2,727,887 | 2,878,846 |
| Total contributions to WLRN TV and FM stations for program services: | <u>962,009</u> | <u>4,362,427</u> | <u>5,324,436</u> |
| Friends of WLRN supporting activities expenses: | | | |
| Membership | 515,018 | 1,016,580 | 1,531,598 |
| Underwriting | 39,663 | 880,817 | 920,480 |
| Management and general | 237,802 | 1,066,210 | 1,304,012 |
| Cultural connection | -- | 376 | 376 |
| Total Friends of WLRN supporting activities expenses | <u>792,483</u> | <u>2,963,983</u> | <u>3,756,466</u> |
| Total Contributions and Expenses | <u>1,754,492</u> | <u>7,326,410</u> | <u>9,080,902</u> |
| Change in Net Assets before Other Income and Expenses | (1,027,876) | 1,838,172 | 810,296 |
| Other Income and Expenses | | | |
| Loss on investments - Endowment | (405,069) | (3,645,625) | (4,050,694) |
| Dividend and interest income - Endowment | 57,310 | 515,786 | 573,096 |
| Wireless cable | 176,800 | 1,591,200 | 1,768,000 |
| Total Other Income and Expenses | <u>(170,959)</u> | <u>(1,538,639)</u> | <u>(1,709,598)</u> |
| Change in Net Assets | <u>\$ (1,198,835)</u> | <u>\$ 299,533</u> | <u>\$ (899,302)</u> |

See independent auditors' report.

FRIENDS OF WLRN, INC.
(A FLORIDA NOT-FOR-PROFIT CORPORATION)

COMBINING SCHEDULES OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

| | TV | Radio | Total |
|---|---------------------|---------------------|---------------------|
| Support and Revenues | | | |
| Underwriting | \$ 74,001 | \$ 2,714,978 | \$ 2,788,979 |
| Membership | 568,349 | 4,656,638 | 5,224,987 |
| Bequests | -- | 23,950 | 23,950 |
| Miscellaneous income | 13,160 | 137,479 | 150,639 |
| Major gifts | 53,350 | 68,435 | 121,785 |
| Production (local and national) | 150 | -- | 150 |
| Gain on investments | 2 | 19 | 21 |
| Dividend and interest income | 12 | 107 | 119 |
| Total Support and Revenues | <u>709,024</u> | <u>7,601,606</u> | <u>8,310,630</u> |
| Contributions and Expenses | | | |
| Contributions to WLRN TV and FM stations: | | | |
| Programming and production | 429,690 | 1,366,212 | 1,795,902 |
| Broadcasting | 5,540 | 38,990 | 44,530 |
| Program information and promotion | 38,733 | 24,009 | 62,742 |
| Management and general | 126,707 | 252,925 | 379,632 |
| Equipment | 20,811 | 17,056 | 37,867 |
| South Florida Public Media | 146,938 | 2,640,428 | 2,787,366 |
| Total contributions to WLRN TV and FM stations for program services: | <u>768,419</u> | <u>4,339,620</u> | <u>5,108,039</u> |
| Friends of WLRN supporting activities expenses: | | | |
| Membership | 659,488 | 1,233,225 | 1,892,713 |
| Underwriting | 35,082 | 804,851 | 839,933 |
| Management and general | 212,907 | 919,934 | 1,132,841 |
| Cultural connection | -- | 369 | 369 |
| Total Friends of WLRN supporting activities expenses | <u>907,477</u> | <u>2,958,379</u> | <u>3,865,856</u> |
| Total Contributions and Expenses | <u>1,675,896</u> | <u>7,297,999</u> | <u>8,973,895</u> |
| Change in Net Assets before Other Income and Expenses | (966,872) | 303,607 | (663,265) |
| Other Income and Expenses | | | |
| Gain on investments - Endowment | 488,029 | 4,392,258 | 4,880,287 |
| Dividend and interest income - Endowment | 51,863 | 466,763 | 518,626 |
| Gain on forgiveness of note payable | 70,500 | 634,500 | 705,000 |
| Grant to the School Board of Miami-Dade County | -- | (554,400) | (554,400) |
| Wireless cable | 176,800 | 1,591,200 | 1,768,000 |
| Total Other Income and Expenses | <u>787,192</u> | <u>6,530,321</u> | <u>7,317,513</u> |
| Change in Net Assets | <u>\$ (179,680)</u> | <u>\$ 6,833,928</u> | <u>\$ 6,654,248</u> |

See independent auditors' report.

FRIENDS OF WLRN, INC.
(A FLORIDA NOT-FOR-PROFIT CORPORATION)

NOTES TO THE COMBINING SCHEDULES OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - BASIS OF ACCOUNTING

The Combining Schedules of Activities are presented following GAAP, which is described in Note 1 to the Corporation's consolidated financial statements. Certain common expenses and revenue items directly relate to the television or radio segment and are charged accordingly. Other common expenses and revenue items are allocated based on employee headcounts or pro rata revenue (television or radio) to total revenue as determined by management.

COMPLIANCE REPORT

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Friends of WLRN, Inc.
(A Florida Not-For-Profit Corporation)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Friends of WLRN, Inc. (A Florida Not-For-Profit Corporation) (the "Corporation"), which comprise the consolidated statement of financial position as of June 30, 2022 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively the "Financial Statements"), and have issued our report thereon dated September 28, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Miami, FL
September 28, 2022

FRIENDS OF WLRN, INC.
(A FLORIDA NOT-FOR-PROFIT CORPORATION)

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2022

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

None