

**TEXAS PUBLIC RADIO**  
**COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2022**

**TEXAS PUBLIC RADIO**  
**FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

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# Schuh|Browne

CERTIFIED PUBLIC  
ACCOUNTANTS

## 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, 2022 and 2021, the related combined statements of activities and functional expenses for the year ended September 30, 2022, the combined statements of cash flows for the years ended September 30, 2022 and 2021, 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, 2022 and 2021, and the changes in net assets for the year ended September 30, 2022, and its cash flows for the years ended September 30, 2022 and 2021 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



San Antonio, Texas  
February 27, 2023

**TEXAS PUBLIC RADIO**  
**COMBINED STATEMENT OF FINANCIAL POSITION**  
**September 30, 2022 and 2021**

<b>ASSETS</b>	<u>2022</u>	<u>2021</u>
<b>Current assets:</b>		
Cash	\$ 2,098,602	\$ 3,093,071
Receivables:		
Accounts receivable	9,720	6,143
Promises to give (net of allowance for uncollectible pledges of \$41,220 in 2022 and \$107,867 in 2021)	233,580	644,745
Underwriting	217,783	262,878
Due under construction funding agreements	32,217	69,301
Total receivables	493,300	983,067
Investments	-	4,824
Prepaid expenses	153,528	578,994
Total current assets	2,745,430	4,659,956
<b>Property and equipment:</b>		
Broadcasting and other equipment	3,704,565	3,183,336
Leasehold improvements	8,303,443	7,818,078
	12,008,008	11,001,414
Less accumulated depreciation	(2,077,490)	(1,495,260)
Property and equipment, net	9,930,518	9,506,154
<b>Other assets:</b>		
Cash and investments held in escrow for construction	-	110,611
Promises to give, long-term (net of allowance for uncollectible pledges of \$-0- in 2022 and \$36,828 in 2021)	-	208,691
Investments restricted for endowment	321,017	416,486
Total other assets	321,017	735,788
Total assets	\$ 12,996,965	\$ 14,901,898
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 279,199	\$ 314,389
Accrued liabilities	202,303	398,265
Notes payable due within one year	479,513	-
Total current liabilities	961,015	712,654
<b>Long-term and other liabilities:</b>		
Construction loan payable	479,513	1,379,513
Less amount due within one year	(479,513)	-
Total long-term and other liabilities	-	1,379,513
Total liabilities	961,015	2,092,167
<b>Net assets:</b>		
Without donor restrictions:		
Undesignated	1,749,725	3,042,815
Fixed assets	9,451,005	8,237,252
Board-designated	4,817	4,817
Total net assets without donor restrictions	11,205,547	11,284,884
With donor restrictions:		
Time or purpose restrictions	514,204	1,113,178
Restrictions that are perpetual in nature	316,199	411,669
Total net assets with donor restrictions	830,403	1,524,847
Total net assets	12,035,950	12,809,731
Total liabilities and net assets	\$ 12,996,965	\$ 14,901,898

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

**TEXAS PUBLIC RADIO**  
**COMBINED STATEMENT OF ACTIVITIES**

**Year Ended September 30, 2022**

(With Comparative Totals For Year Ended September 30, 2021)

	Without Donor Restrictions			With Donor	Total	
	Operations	Fixed Assets	Board-Designated	Restrictions	2022	2021
<b>Support and revenues:</b>						
Special events:						
Gross revenue	\$ 58,324	\$ -	\$ -	\$ -	\$ 58,324	\$ 35,841
Less direct expenses	(13,202)	-	-	-	(13,202)	(2,511)
Net special events support	45,122	-	-	-	45,122	33,330
Payroll Protection Program grant	-	-	-	-	-	669,000
CPB ARPA grant	-	-	-	-	-	293,343
Program underwriting contracts	1,914,626	-	-	-	1,914,626	1,821,875
Grants	455,701	-	-	536,753	992,454	1,052,892
Contributions	237,815	-	-	104,733	342,548	350,357
Memberships	2,375,515	-	-	222,740	2,598,255	2,224,592
Theater revenue	16,876	-	-	-	16,876	-
Investment income	8,690	-	-	4,059	12,749	11,876
In-kind contributions	503,602	-	-	-	503,602	-
Miscellaneous	20,828	-	-	-	20,828	2,096
	5,578,775	-	-	868,285	6,447,060	6,459,361
Net assets released from restrictions	1,462,351	-	-	(1,462,351)	-	-
Total support and revenue	7,041,126	-	-	(594,066)	6,447,060	6,459,361
<b>Expenses:</b>						
Program services:						
Broadcasting	4,115,712	407,802	-	-	4,523,514	4,243,421
Marketing	1,325,284	105,469	-	-	1,430,753	1,339,825
Total program services	5,440,996	513,271	-	-	5,954,267	5,583,246
Supporting services:						
Administrative	496,647	28,416	-	-	525,063	335,718
Development	600,591	40,542	-	-	641,133	723,934
Total supporting services	1,097,238	68,958	-	-	1,166,196	1,059,652
Total expenses	6,538,234	582,229	-	-	7,120,463	6,642,898
Change in net assets before unrealized gains (losses)	502,892	(582,229)	-	(594,066)	(673,403)	(183,537)
Unrealized gains (losses) on investments	-	-	-	(100,378)	(100,378)	77,173
Change in net assets	502,892	(582,229)	-	(694,444)	(773,781)	(106,364)
<b>Net assets at beginning of year</b>	3,042,815	8,237,252	4,817	1,524,847	12,809,731	12,916,095
Net interfund transfers	(1,795,982)	1,795,982	-	-	-	-
<b>Net assets at end of year</b>	<u>\$ 1,749,725</u>	<u>\$ 9,451,005</u>	<u>\$ 4,817</u>	<u>\$ 830,403</u>	<u>\$ 12,035,950</u>	<u>\$ 12,809,731</u>

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

**TEXAS PUBLIC RADIO**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended September 30, 2022**

(With Comparative Totals For Year Ended September 30, 2021)

	Program Services			Management and General			Total Expenses	
	Broadcasting	Marketing	Total	Administrative	Development	Total	2022	2021
Salaries	\$ 1,866,522	\$ 851,396	\$ 2,717,918	\$ 386,131	\$ 141,309	\$ 527,440	\$ 3,245,358	\$ 3,454,146
Payroll taxes	149,917	44,217	194,134	21,039	45,018	66,057	260,191	268,854
Payroll benefits	229,595	104,680	334,275	31,563	36,936	68,499	402,774	427,761
Total salaries and related expenses	2,246,034	1,000,293	3,246,327	438,733	223,263	661,996	3,908,323	4,150,761
Advertising	-	52,937	52,937	-	1,400	1,400	54,337	26,709
Audience research	20,402	-	20,402	-	20,403	20,403	40,805	40,910
Bad debt expense	-	-	-	-	-	-	-	2,500
Bank charges	-	150	150	15	120,716	120,731	120,881	101,258
Building maintenance	50,858	22,358	73,216	9,264	7,578	16,842	90,058	73,712
Contract labor	-	1,030	1,030	725	1,732	2,457	3,487	2,456
Equipment rental	2,073	35,954	38,027	288	330	618	38,645	7,302
Facilities and venues	-	3,105	3,105	-	27,481	27,481	30,586	-
Food expense	14,639	22,512	37,151	2,506	42,356	44,862	82,013	16,213
Honorarium fees and prizes	-	9,541	9,541	3,000	-	3,000	12,541	10,200
Insurance - liability	36,132	16,481	52,613	5,052	5,705	10,757	63,370	58,523
Interest expense	22,453	10,242	32,695	3,151	3,545	6,696	39,391	22,404
Internet expense	63,997	1,808	65,805	567	9,744	10,311	76,116	56,386
Mailing acquisition/renewal	-	-	-	-	2,467	2,467	2,467	2,494
Maintenance fees and software licenses	49,056	7,471	56,527	3,976	18,001	21,977	78,504	59,634
Membership premiums	-	13,331	13,331	-	12,398	12,398	25,729	34,605
Memberships	-	-	-	-	6,173	6,173	6,173	-
Miscellaneous	-	-	-	-	49	49	49	-
Office supplies	6,169	7,356	13,525	2,596	9,353	11,949	25,474	24,772
Postage and shipping	551	233	784	338	12,759	13,097	13,881	17,858
Printing	335	1,438	1,773	-	32,703	32,703	34,476	26,227
Production costs	333,055	46,766	379,821	-	-	-	379,821	212,243
Professional fees	94,031	25,877	119,908	11,097	14,396	25,493	145,401	125,391
Program fees	741,889	-	741,889	-	-	-	741,889	694,262
Promotional	-	8,813	8,813	-	1,006	1,006	9,819	17,090
Recruiting	5,258	-	5,258	-	299	299	5,557	10,888
Replacement parts and supplies	15,878	-	15,878	-	-	-	15,878	15,409
Satellite interconnect fee	-	-	-	-	-	-	-	12,125
Staff development	25,365	6,020	31,385	670	2,498	3,168	34,553	33,834
Telephone	5,013	-	5,013	-	51	51	5,064	5,200
Tower and tower land leases	191,685	-	191,685	-	-	-	191,685	185,066
Trade affiliation fees	4,892	943	5,835	4,408	13,288	17,696	23,531	19,799
Travel	39,776	3,375	43,151	1,598	1,500	3,098	46,249	19,875
Utilities	146,171	27,250	173,421	8,663	9,397	18,060	191,481	173,514
Total expenses before depreciation	4,115,712	1,325,284	5,440,996	496,647	600,591	1,097,238	6,538,234	6,259,620
Depreciation	407,802	105,469	513,271	28,416	40,542	68,958	582,229	383,278
Total expenses	\$ 4,523,514	\$ 1,430,753	\$ 5,954,267	\$ 525,063	\$ 641,133	\$ 1,166,196	\$ 7,120,463	\$ 6,642,898

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

**TEXAS PUBLIC RADIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**Years Ended September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash flow from operating activities:</b>		
Change in net assets	\$ (773,781)	\$ (106,364)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	582,229	383,278
Realized and unrealized gains on investments	101,176	(75,402)
Non-cash contributions	(450,135)	(243,881)
Forgiveness of debt	-	(669,000)
Change in:		
Receivables, other than capital campaign	8,217	2,238,357
Prepaid expenses	425,466	(523,380)
Cash and investments held in escrow	110,611	510,507
Accounts payable	(35,190)	(905,306)
Accrued liabilities	<u>(195,962)</u>	<u>79,802</u>
Net cash provided (used) by operating activities	<u>(227,369)</u>	<u>688,611</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	106,757	237,217
Purchases of investments	(5,505)	(8,527)
Purchase of property and equipment	<u>(658,593)</u>	<u>(1,029,666)</u>
Net cash used by investing activities	<u>(557,341)</u>	<u>(800,976)</u>
<b>Cash flows from financing activities:</b>		
Payments on note payable	(900,000)	(3,350,000)
Proceeds from contributions restricted for capital campaign	<u>690,241</u>	<u>789,555</u>
Net cash used by financing activities	<u>(209,759)</u>	<u>(2,560,445)</u>
Net decrease in cash	(994,469)	(2,672,810)
<b>Cash at beginning of year</b>	<u>3,093,071</u>	<u>5,765,881</u>
<b>Cash at end of year</b>	<u>\$ 2,098,602</u>	<u>\$ 3,093,071</u>
<b>Schedule of supplemental cash flow information:</b>		
Non-cash contributions:		
Donated stocks and other investment assets	\$ 102,135	\$ 243,881
Donation of broadcast tower and equipment	338,000	-
Donation of other furniture and equipment	<u>10,000</u>	<u>-</u>
Contributions of investments and property and equipment	450,135	243,881
Other contributions of non-financial assets and services (see Note 13)	<u>155,602</u>	<u>-</u>
Total non-cash contributions of assets and services	<u>\$ 605,737</u>	<u>\$ 243,881</u>
Interest paid	<u>\$ 39,391</u>	<u>\$ 121,715</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, 2021, from which the summarized information was derived.

##### Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees, underwriting, and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, programs are aired, or expenditures are incurred, respectively. Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Revenues from event sponsorships and ticket sales are recognized when the event is held, as those contributions are conditioned on the performance of the event. Amounts received prior to the related event are reported as deferred revenue in the statement of financial position.

##### Revenue with and without Donor Restrictions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. When a restriction expires, 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)

### 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.

### 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. TPR's portion of the funds held in escrow were fully paid out as of April 2022.

### 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.

### Donated Assets

Donated investments, equipment, supplies, and other noncash donations are recorded as contributions at their fair values at the date of donation.

### Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by TPR. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. Note 13 discusses the services TPR receives without charge from its volunteers and donors.

### 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.

(Continued)

# TEXAS PUBLIC RADIO

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

#### 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 27, 2023, 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, 2022, TPR's uninsured cash balances totaled \$468,747.

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, 2022 and 2021, management estimated the allowance for doubtful accounts to be \$41,220 and \$144,695 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>2022</u>	<u>2021</u>
Capital campaign	\$ 233,580	\$ 964,632
Restricted for use in future periods	-	(111,196)
	<u>\$ 233,580</u>	<u>\$ 853,436</u>
	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 274,800	\$ 752,612
Receivable in one to five years	-	251,375
Total unconditional promises to give	274,800	1,003,987
Less discounts to net present value	-	(5,856)
Less allowance for uncollectible promises receivable	(41,220)	(144,695)
Net unconditional promises to give	<u>\$ 233,580</u>	<u>\$ 853,436</u>

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

# TEXAS PUBLIC RADIO

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

### 4 INVESTMENTS

TPR owned the following investments at September 30, 2022 and 2021:

	2022		2021	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
<b>Unrestricted:</b>				
Cash and money market funds	\$ -	\$ -	\$ 4,824	\$ 4,824
<b>Restricted for Endowment:</b>				
Pooled investment funds	<u>334,820</u>	<u>321,017</u>	<u>329,912</u>	<u>416,486</u>
	<u>\$ 334,820</u>	<u>\$ 321,017</u>	<u>\$ 334,736</u>	<u>\$ 421,310</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, 2022 and 2021, 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, 2022 and 2021:

	2022				
	<u>Beginning Balance</u>	<u>Purchases</u>	<u>Sales and Distributions</u>	<u>Total Gains (Losses) &amp; Fees</u>	<u>Ending Balance</u>
Pooled investment funds	<u>\$ 416,486</u>	<u>\$ 849</u>	<u>\$ -</u>	<u>\$ (96,318)</u>	<u>\$ 321,017</u>
	2021				
	<u>Beginning Balance</u>	<u>Purchases</u>	<u>Sales and Distributions</u>	<u>Total Gains (Losses) &amp; 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>

### 5 PROGRAM UNDERWRITING CONTRACTS

Program underwriting contracts revenue consisted of the following:

	<u>2022</u>	<u>2021</u>
Business memberships	\$ 236,102	\$ 322,266
Underwriting contracts	<u>1,678,524</u>	<u>1,499,609</u>
	<u>\$ 1,914,626</u>	<u>\$ 1,821,875</u>

# TEXAS PUBLIC RADIO

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

### 6 PROPERTY AND EQUIPMENT

Property and equipment of TPR consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 16,000	\$ 16,000
Broadcast equipment	2,469,749	2,096,113
Theater equipment	68,300	44,107
Library	28,701	28,701
Furniture, fixtures and equipment	1,121,815	998,415
Leasehold improvements	<u>8,303,443</u>	<u>7,818,078</u>
	12,008,008	11,001,414
Less accumulated depreciation	<u>(2,077,490)</u>	<u>(1,495,260)</u>
Net property and equipment	<u>\$ 9,930,518</u>	<u>\$ 9,506,154</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, 2023. Advances on the unsecured line of credit bear interest at the Bank's floating prime rate of 6.25%. At September 30, 2022, 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 \$479,513 and \$1,379,513 at September 30, 2022 and 2021, 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.

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>
2023	<u>\$ 479,513</u>

TPR incurred interest in the amount of \$39,391 and \$121,715 during the years ended September 30, 2022 and 2021, respectively, of which \$-0- and \$99,311, 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 Conservancy, 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>
2023	\$ 165,223
2024	59,530
2025	59,890
2026	60,632
2027	61,002
Thereafter	332,174
	<u>\$ 738,451</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>
2023	\$ 3,623
2024	3,623
2025	3,623
2026	604
	<u>\$ 11,473</u>

Total rent payments on these leases for the years ended September 30, 2022 and 2021 were \$216,683 and \$192,368, 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, 2022 and 2021 were \$68,234 and \$65,567, respectively.

# TEXAS PUBLIC RADIO

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

### 10 FUNDRAISING EXPENSE

Total fundraising expense for the years ended September 30, 2022 and 2021 was \$641,133 and \$723,934, respectively.

### 11 NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2022 and 2021, net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose or time period:		
Challenge grants	\$ 15,000	\$ 59,000
Other grants	48,300	182,402
Capital campaign	<u>450,904</u>	<u>871,776</u>
Total net assets subject to expenditure for specified purpose or time period:	514,204	1,113,178
Subject to restrictions that are perpetual in nature:		
Endowment corpus for support of TPR	<u>316,199</u>	<u>411,669</u>
Total net assets with donor restrictions	<u>\$ 830,403</u>	<u>\$ 1,524,847</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>2022</u>	<u>2021</u>
Satisfaction of purpose or time restrictions:		
Challenge grants released	\$ 266,740	\$ 46,313
Other grants released	670,855	577,491
Accrued pledges	-	420,270
Capital campaign expenditures	<u>524,756</u>	<u>1,199,443</u>
Net assets released from restriction	<u>\$ 1,462,351</u>	<u>\$ 2,243,517</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, 2022 and 2021 is as follows:

2022			
	Without Donor Restrictions	With Donor Restrictions	Total Endowment
		Time or Purpose	Perpetual in Nature
Donor-restricted endowment funds	\$ -	\$ -	\$ 316,199
Board-designated endowment funds	4,817	-	-
Total endowment funds	<u>\$ 4,817</u>	<u>\$ -</u>	<u>\$ 316,199</u>
			<u>\$ 321,016</u>

  

2021			
	Without Donor Restrictions	With Donor Restrictions	Total Endowment
		Time or Purpose	Perpetual in Nature
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>

Changes in endowment net assets for the years ended of September 30, 2022 and 2021 were as follows:

2022			
	Without Donor Restrictions	With Donor Restrictions	Total Endowment
		Time or Purpose	Perpetual in Nature
Endowment net assets, beginning of year	\$ 4,817	\$ -	\$ 411,669
Contributions	-	-	849
Transfers	-	-	-
Investment income	-	-	(456)
Net appreciation (depreciation)	-	-	(95,863)
Amounts appropriated for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ 4,817</u>	<u>\$ -</u>	<u>\$ 316,199</u>
			<u>\$ 321,016</u>

  

2021			
	Without Donor Restrictions	With Donor Restrictions	Total Endowment
		Time or Purpose	Perpetual in Nature
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>

# TEXAS PUBLIC RADIO

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

### 13 DONATED ASSETS AND SERVICES

TPR received gifts-in-kind for the years ended September 30, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Donated broadcast tower and equipment	\$ 338,000	\$ -
Other donated furniture and equipment	10,000	-
Use of land for broadcast tower	12,000	-
Advertising	36,029	-
Equipment rental and usage	1,647	-
Facilities usage	30,101	-
Food and catering	46,299	-
Professional services	22,037	-
Supplies	5,190	-
Staff development	2,250	-
Other	49	-
Total in-kind contribution revenue	<u>\$ 503,602</u>	<u>\$ -</u>

TPR's policy related to gifts-in-kind is to utilize the assets given to carry out the organization's mission where possible, and to monetize any assets given that do not relate directly to the organization's mission. If an asset is provided that does not allow TPR to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

### 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, 2022 and 2021 totaled \$467,701 and \$1,442,308, respectively, which amounted to 7.3% and 22.3% 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 \$-0- and \$110,611 at September 30, 2022 and 2021, 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 \$32,217 and \$69,301 as of September 30, 2022 and 2021, respectively, for project expenditures to be reimbursed under those agreements.

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	\$ 2,098,602
Investments restricted for endowment	321,017
Receivables:	
Accounts receivable	9,720
Promises to give, net	233,580
Underwriting	217,783
Financial assets at year end	<u>2,880,702</u>
Less those unavailable for general expenditure within one year, due to:	
Investments restricted for endowment	(321,017)
Donor-restricted to expenditure for specific purposes	<u>(514,204)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,045,481</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, 2022, TPR has financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 114 days of average operating expenses.