



**BLUE RIDGE  
PUBLIC RADIO**

 FOR WESTERN NORTH CAROLINA

**WESTERN NORTH CAROLINA  
PUBLIC RADIO, INC.  
D/B/A BLUE RIDGE PUBLIC RADIO**

Asheville, North Carolina

Financial Statements

Years Ended September 30, 2022 and 2021

**WESTERN NORTH CAROLINA PUBLIC RADIO, INC.  
D/B/A BLUE RIDGE PUBLIC RADIO**

**OFFICERS**

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Travis Childs  
Deborah Wright  
Jack Ewing

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**GENERAL MANAGER AND CEO**

Jeff Pope

**WESTERN NORTH CAROLINA PUBLIC RADIO, INC.  
D/B/A BLUE RIDGE PUBLIC RADIO**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Western North Carolina Public Radio, Inc.  
d/b/a Blue Ridge Public Radio

### Opinion

We have audited the accompanying financial statements of Western North Carolina Public Radio, Inc. d/b/a Blue Ridge Public Radio (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western North Carolina Public Radio, Inc. d/b/a Blue Ridge Public Radio as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Western North Carolina Public Radio, Inc. d/b/a Blue Ridge Public Radio and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Western North Carolina Public Radio, Inc. d/b/a Blue Ridge 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.

To the Board of Directors  
Western North Carolina Public Radio, Inc.  
d/b/a Blue Ridge Public Radio  
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### **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 auditors' 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 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 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 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 Western North Carolina Public Radio, Inc. d/b/a Blue Ridge 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Western North Carolina Public Radio, Inc. d/b/a Blue Ridge 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.

*CARTER, P.C.*

Asheville, North Carolina  
April 13, 2023

**WESTERN NORTH CAROLINA PUBLIC RADIO, INC.**  
**D/B/A BLUE RIDGE PUBLIC RADIO**

Statements of Financial Position  
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 741,234	\$ 770,325
Accounts receivable, net	135,687	127,184
Promises to give	16,191	37,427
Sales tax receivable		2,611
Prepaid expenses	<u>48,640</u>	<u>69,514</u>
Total current assets	941,752	1,007,061
Investments	1,797	
Property and equipment, net	901,910	944,482
Intangible assets, net	186,980	187,659
Beneficial interest in endowment funds	<u>1,269,305</u>	<u>1,352,075</u>
Total assets	<u>\$ 3,301,744</u>	<u>\$ 3,491,277</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 48,724	\$ 21,316
Accrued expenses	112,765	164,285
Deferred revenue	<u>49,932</u>	<u>56,021</u>
Total current liabilities	<u>211,421</u>	<u>241,622</u>
Net assets:		
Without donor restrictions	3,074,132	3,212,228
With donor restrictions	<u>16,191</u>	<u>37,427</u>
Total net assets	<u>3,090,323</u>	<u>3,249,655</u>
Total liabilities and net assets	<u>\$ 3,301,744</u>	<u>\$ 3,491,277</u>

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

**WESTERN NORTH CAROLINA PUBLIC RADIO, INC.  
D/B/A BLUE RIDGE PUBLIC RADIO**

Statement of Activities  
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and other support</b>			
Listener and other support	\$ 1,640,703	\$ 16,191	\$ 1,656,894
Business sponsorship	952,652		952,652
Grants	317,133		317,133
Rental income	56,814		56,814
In-kind contributions	41,518		41,518
Investment income, net	2,239		2,239
Other income	575		575
Net assets released from restrictions	<u>37,427</u>	<u>(37,427)</u>	
Total revenues and other support	<u>3,049,061</u>	<u>(21,236)</u>	<u>3,027,825</u>
<b>Expenses</b>			
Program services	1,648,837		1,648,837
Supporting services	<u>1,452,508</u>		<u>1,452,508</u>
Total expenses	<u>3,101,345</u>		<u>3,101,345</u>
Decrease in net assets before other losses	<u>(52,284)</u>	<u>(21,236)</u>	<u>(73,520)</u>
<b>Other losses</b>			
Net losses on investments	(1,048)		(1,048)
Net losses on beneficial interest in endowment funds	<u>(84,764)</u>		<u>(84,764)</u>
Total other losses	<u>(85,812)</u>		<u>(85,812)</u>
Decrease in net assets	(138,096)	(21,236)	(159,332)
Net assets at beginning of year	<u>3,212,228</u>	<u>37,427</u>	<u>3,249,655</u>
Net assets at end of year	<u>\$ 3,074,132</u>	<u>\$ 16,191</u>	<u>\$ 3,090,323</u>

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

**WESTERN NORTH CAROLINA PUBLIC RADIO, INC.  
D/B/A BLUE RIDGE PUBLIC RADIO**

Statement of Activities  
Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and other support</b>			
Listener and other support	\$ 1,475,635	\$ 37,427	\$ 1,513,062
Business sponsorship	917,242		917,242
Grants	505,958		505,958
Rental income	42,559		42,559
In-kind contributions	35,198		35,198
Investment income, net	70		70
Other income	961		961
Net assets released from restrictions	<u>26,065</u>	<u>(26,065)</u>	
Total revenues and other support	<u>3,003,688</u>	<u>11,362</u>	<u>3,015,050</u>
<b>Expenses</b>			
Program services	1,541,579		1,541,579
Supporting services	<u>1,321,703</u>		<u>1,321,703</u>
Total expenses	<u>2,863,282</u>		<u>2,863,282</u>
Increase in net assets before other gains (losses)	<u>140,406</u>	<u>11,362</u>	<u>151,768</u>
<b>Other gains (losses)</b>			
Impairment loss on intangible assets	(43,417)		(43,417)
Net gains on beneficial interest in endowment funds	<u>182,389</u>		<u>182,389</u>
Total other gains (losses)	<u>138,972</u>		<u>138,972</u>
Increase in net assets	279,378	11,362	290,740
Net assets at beginning of year	<u>2,932,850</u>	<u>26,065</u>	<u>2,958,915</u>
Net assets at end of year	<u>\$ 3,212,228</u>	<u>\$ 37,427</u>	<u>\$ 3,249,655</u>

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



**WESTERN NORTH CAROLINA PUBLIC RADIO, INC.**  
**D/B/A BLUE RIDGE PUBLIC RADIO**

Statement of Functional Expenses  
Year Ended September 30, 2022

		Supporting Services			
	Program Services	General and Administration	Fundraising	Total Supporting	Total
Salaries	\$ 594,483	\$ 206,362	\$ 436,527	\$ 642,889	\$ 1,237,372
Employee benefits	86,875	29,000	59,190	88,190	175,065
Payroll taxes	<u>42,510</u>	<u>16,349</u>	<u>33,343</u>	<u>49,692</u>	<u>92,202</u>
Total salaries and related expenses	723,868	251,711	529,060	780,771	1,504,639
Programming fees	521,049				521,049
Professional fees	35,767	195,671	33,709	229,380	265,147
Occupancy	45,800	132,612		132,612	178,412
Utilities	37,047	507		507	37,554
Travel	460	10,491	1,694	12,185	12,645
Insurance	9,677	25,185		25,185	34,862
Supplies and equipment	40,646	12,715	355	13,070	53,716
Software and technology	49,257		20,394	20,394	69,651
Promotion and outreach	2,652	249	52,593	52,842	55,494
Training and education	1,099	300	2,245	2,545	3,644
Banking fees	15	2,028	52,540	54,568	54,583
Parking	5,641	1,982	3,040	5,022	10,663
Communications	19,344		7,825	7,825	27,169
Repairs and maintenance	13,896	3,371		3,371	17,267
Memberships and dues	7,486	1,605	14,280	15,885	23,371
Advertising	39,379				39,379
Special events	4,400		36,273	36,273	40,673
Postage and shipping	831	1,391	2,941	4,332	5,163
Hospitality	1,056	10,539	15,211	25,750	26,806
Bad debt	<u>18,793</u>				<u>18,793</u>
Total expenses before interest, depreciation, and amortization	1,578,163	650,357	772,160	1,422,517	3,000,680
Interest	17				17
Depreciation	69,978	9,997	19,994	29,991	99,969
Amortization	<u>679</u>				<u>679</u>
Total expenses	<u>\$ 1,648,837</u>	<u>\$ 660,354</u>	<u>\$ 792,154</u>	<u>\$ 1,452,508</u>	<u>\$ 3,101,345</u>

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

**WESTERN NORTH CAROLINA PUBLIC RADIO, INC.**  
**D/B/A BLUE RIDGE PUBLIC RADIO**

Statement of Functional Expenses  
Year Ended September 30, 2021

		Supporting Services			
	Program Services	General and Administration	Fundraising	Total Supporting	Total
Salaries	\$ 570,436	\$ 168,395	\$ 537,452	\$ 705,847	\$ 1,276,283
Employee benefits	106,921	23,586	83,249	106,835	213,756
Payroll taxes	<u>38,570</u>	<u>13,126</u>	<u>39,108</u>	<u>52,234</u>	<u>90,804</u>
Total salaries and related expenses	715,927	205,107	659,809	864,916	1,580,843
Programming fees	509,868				509,868
Professional fees	51,874	64,365	31,436	95,801	147,675
Occupancy	45,643	94,644		94,644	140,287
Utilities	19,201	7,863		7,863	27,064
Travel	280	917		917	1,197
Insurance	9,030	22,940		22,940	31,970
Supplies and equipment	19,147	5,431	1,775	7,206	26,353
Software and technology	26,615		17,138	17,138	43,753
Promotion and outreach	440	1,329	34,773	36,102	36,542
Training and education	1,174	248	3,045	3,293	4,467
Banking fees		1,556	42,125	43,681	43,681
Parking	4,349	269	1,175	1,444	5,793
Communications	16,307	4,371	9,952	14,323	30,630
Repairs and maintenance	17,669	25,590		25,590	43,259
Memberships and dues	2,667	2,363	5,945	8,308	10,975
Advertising	29,554				29,554
Special events			165	165	165
Postage and shipping	268		16,870	16,870	17,138
Hospitality	748	5,339	10,313	15,652	16,400
Miscellaneous	<u></u>	<u>14,830</u>	<u></u>	<u>14,830</u>	<u>14,830</u>
Total expenses before interest, depreciation, and amortization	1,470,761	457,162	834,521	1,291,683	2,762,444
Interest	95				95
Depreciation	70,045	10,007	20,013	30,020	100,065
Amortization	<u>678</u>	<u></u>	<u></u>	<u></u>	<u>678</u>
Total expenses	<u>\$ 1,541,579</u>	<u>\$ 467,169</u>	<u>\$ 854,534</u>	<u>\$ 1,321,703</u>	<u>\$ 2,863,282</u>

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

**WESTERN NORTH CAROLINA PUBLIC RADIO, INC.  
D/B/A BLUE RIDGE PUBLIC RADIO**

Statements of Cash Flows  
Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ (159,332)	\$ 290,740
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	99,969	100,065
Amortization	679	678
Impairment loss on intangible assets		43,417
Receipt of donated stock	(52,312)	(52,777)
Net losses on investments	1,048	
Net (gains) losses on beneficial interest in endowment funds	84,764	(182,389)
Provision for bad debts	18,793	
Changes in working capital - sources (uses):		
Accounts receivable	(27,296)	(35,250)
Promises to give	21,236	(11,362)
Sales tax receivable	2,611	5,154
Prepaid expenses	20,874	(26,509)
Accounts payable	27,408	(22,223)
Accrued expenses	(51,520)	76,970
Deferred revenue	<u>(6,089)</u>	<u>7,885</u>
Net cash provided (used) by operating activities	<u>(19,167)</u>	<u>194,399</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of donated stock	49,467	52,777
Distributions from beneficial interest in endowment funds		11,770
Contributions to beneficial interest in endowment funds		(186,378)
Change in beneficial interest in endowment funds	(1,994)	223
Purchases of property and equipment	(57,397)	(36,470)
Purchase of intangible assets		<u>(95,000)</u>
Net cash used by investing activities	<u>(9,924)</u>	<u>(253,078)</u>
<b>Cash flows from financing activities</b>		
Repayment of long-term debt		<u>(5,742)</u>
Net decrease in cash and equivalents	(29,091)	(64,421)
Cash and equivalents at beginning of year	<u>770,325</u>	<u>834,746</u>
Cash and equivalents at end of year	<u>\$ 741,234</u>	<u>\$ 770,325</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	<u>\$ 17</u>	<u>\$ 95</u>

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

**WESTERN NORTH CAROLINA PUBLIC RADIO, INC.  
D/B/A BLUE RIDGE PUBLIC RADIO**

Notes to Financial Statements  
September 30, 2022 and 2021

**Note 1 - Summary of Significant Accounting Policies**

**Organization**

Western North Carolina Public Radio, Inc. (Organization) was incorporated on April 9, 1984, as a nonprofit corporation. In June 2017, the Organization began doing business as Blue Ridge Public Radio. The Organization is dedicated to operating a community-based, fine arts public radio station with a commitment to the cultural well-being of Western North Carolina offering radio and digital streaming programs that include news, music, and other content.

**Income Tax Status**

The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under section 509(a)(2). The Organization has also been classified as a publicly-supported charitable organization and is exempt from state taxes under North Carolina General Statute 105-130.11(a).

**Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.
- *Net assets with donor restrictions:* Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Organization has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions and restricted grants. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **Basis of Presentation (continued)**

Support is recorded as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions. The Organization has adopted a policy to classify donor restricted support as without donor restrictions to the extent that donor restrictions were met in the reporting period the support was recognized.

### **Measure of Operations**

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Non-operating activities are limited to resources that generate return from investments and beneficial interest in endowment funds; impairment loss on intangible assets; and other activities considered to be more unusual or nonrecurring in nature.

### **Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Fair Value of Financial Instruments**

The carrying value of substantially all reported assets and liabilities, other than accounts receivable, investments, and beneficial interest in endowment funds, approximates fair value due to the relatively short-term nature of the financial instruments.

Amounts recognized as accounts receivable approximate fair value due to the allowance for doubtful accounts applied to outstanding balances.

The fair value of investments and beneficial interest in endowment funds is discussed in Note 8.

### **Cash and Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **Accounts Receivable**

Accounts receivable consist of uncollateralized customer obligations for on-air public announcements and other services provided on behalf of customers. The Organization provides credit to customers and bills them as services are provided or on a monthly basis. Receipts of payments are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Management believes its billing and collection policies are adequate to minimize potential credit risk. In reviewing aged receivables, management considers their knowledge of customers, historical losses, and current economic conditions in establishing the allowance for doubtful accounts. The Organization writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited back to the allowance account in the period the payment is received.

### **Promises to Give**

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in listener and other support. A provision of uncollectible promises to give has not been established, as management believes that all amounts are collectible.

### **Sales Tax Receivable**

Sales tax receivable is stated at the amount management expect to collect on outstanding balances.

### **Property and Equipment**

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized as incurred. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed. The Organization has adopted an accounting policy to capitalize all property and equipment with a cost greater than \$5,000. Depreciation is computed using the straight-line method over the estimated useful life of the asset, generally two to thirty-nine years.

### **Donated Property and Equipment**

Donations of property and equipment are recorded in-kind contributions at the estimated fair value at the date of the gift. The Organization reports gifts of property and equipment as in-kind contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **Investments**

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are recognized in the statements of activities.

### **Investment Income and Gains**

Investment income and gains are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

### **Fair Value Measurements and Disclosures**

The Organization applies U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

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.

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

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities within the fair value hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Organization's assessment of the significance of an input requires judgment, which may affect the valuation and classification within the fair value hierarchy.

### **Donated Assets**

Donated marketable securities are recorded as listener and other support at their estimated fair value at the date of donation. Donated materials and equipment are reflected as in-kind contributions at their estimated fair value at the date of donation. Noncash donated assets are described in Note 12.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **Donated Services**

Donated services are recognized as in-kind contributions 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 Organization. Donated services are described in Note 12.

### **Revenue Recognition**

Business sponsorships are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services for businesses. These services consist of radio sponsorships, impressions on the Organization's internet sites, and other forms of agreed upon sponsorships. The Organization has concluded that they have a right to consideration for services provided in accordance with the underlying contracts. Payments received in advance of business sponsorships being provided are recorded as deferred revenue in the statements of financial position.

Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return of the asset or right of release of the obligation - are not recognized until the conditions on which they depend have been met. A portion of the Organization's revenue is also derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position.

The Organization also recognizes revenue from acting as a lessor in operating leases. Revenue is recorded as rental income in the statements of activities and is accounted for on the straight-line basis over the lease term.

### **Functional Allocation of Expenses**

The costs of providing program and supporting services activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain categories of expenses are attributable to programs and support. All expenses except for programming fees, advertising, miscellaneous, bad debt, interest, and amortization are allocated based on estimates of time and effort. Programming fees, advertising, bad debt, interest, and amortization expenses are directly related to program services. Miscellaneous expenses are directly related to supporting services.



## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **Advertising**

The Organization uses advertising to promote various programs. Advertising costs are not expected to extend beyond the current period and are expensed as incurred. Advertising expense for the years ended September 30, 2022 and 2021, was \$39,379 and \$29,554, respectively.

### **Reclassification**

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

### **New Accounting Pronouncements**

During the year ended September 30, 2022, the Organization adopted the requirements of the following standards set by the Financial Accounting Standards Board (FASB). The implementation of each of these standards did not materially impact the Organization's financial statements.

- Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 clarifies and expands the presentation and disclosure requirements of contributed nonfinancial assets for nonprofit entities for the purpose of enhancing transparency of such contributions received. These additional note disclosures are included in Note 12, In-kind Contributions.
- Accounting Standards Update No. 2018-15, *Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software.

### **Recently Issued Accounting Pronouncement**

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new standard, lessees will recognize a right-of-use asset and lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The lease liability will be equal to the present value of lease payments. For statement of activity purposes, leases continue to be classified as either operating or finance. Operating leases will result in straight-line expense, while finance leases will result in accelerated expense recognition, comparable to current capital leases. Classification will be based on criteria similar to those applied to current lease accounting. Additional disclosures will be required to provide details of revenue and expense recognized and expected to be recognized from existing agreements. The new standard will be effective beginning October 1, 2022. The Organization is currently evaluating the effect this ASU will have on its financial statements.

## **Note 2 - Net Assets**

Net assets are described as follows:

<u>At September 30</u>	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Undesignated	\$ 797,086	\$ 809,944
Investment in property and equipment	901,910	944,482
Board designated:		
Innovation fund	60,196	60,137
Journalism fund	45,635	45,590
Operating reserves	1,032,845	1,070,661
Endowment reserve	<u>236,460</u>	<u>281,414</u>
Total board designated	<u>1,375,136</u>	<u>1,457,802</u>
Net assets without donor restrictions	3,074,132	3,212,228
Net assets with donor restrictions:		
Subject to expenditure in a future period:		
Promises to give	<u>16,191</u>	<u>37,427</u>
Total net assets	<u>\$ 3,090,323</u>	<u>\$ 3,249,655</u>

## **Note 3 - Liquidity and Availability of Financial Assets**

The Organization receives significant contributions and promises to give restricted by donors and considers those program contributions, which are ongoing, major, and central to its operations, to be available to meet cash needs for general expenditures.

The Organization manages liquidity and reserves utilizing three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Monitoring expenses closely.

Board designated reserves and endowment reserves are available for appropriation by the Board. However, the Organization does not intend to spend from these board designated reserves, unless necessary.

**Note 3 - Liquidity and Availability of Financial Assets (continued)**

The following reflects the liquidity and availability of the Organization's financial assets:

At September 30	2022	2021
Financial assets:		
Cash and equivalents	\$ 741,234	\$ 770,325
Accounts receivable, net	135,687	127,184
Promises to give	16,191	37,427
Sales tax receivable		2,611
Investments	1,797	
Beneficial interest in endowment funds	<u>1,269,305</u>	<u>1,352,075</u>
Total financial assets	<u>2,164,214</u>	<u>2,289,622</u>
Amounts not available for general expenditure:		
Board designated innovation fund	(60,196)	(60,137)
Board designated journalism fund	(45,635)	(45,590)
Board designated operating reserves	(1,032,845)	(1,070,661)
Board designated endowment reserve	(236,460)	(281,414)
Net assets with donor restrictions	(16,191)	(37,427)
Add back: promises to give	<u>16,191</u>	<u>37,427</u>
Total amounts not available for general expenditure	<u>(1,375,136)</u>	<u>(1,457,802)</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 789,078</u>	<u>\$ 831,820</u>

**Note 4 - Contract Assets and Liabilities**

Accounts receivable and promises to give represent the Organization's contract assets with an unconditional right to receive consideration from customers or contributors. Accounts receivable are recorded at the amount the Organization has a right to invoice less an allowance for doubtful accounts. Promises to give are recorded at amounts expected to be received based on contractual terms without conditions.

The following table provides information about contract assets:

At September 30	2022	2021	2020
Accounts receivable:			
Business sponsorship receivables	\$ 159,480	\$ 132,184	\$ 96,934
Less: allowance for doubtful accounts	<u>(23,793)</u>	<u>(5,000)</u>	<u>(5,000)</u>
Accounts receivable, net	135,687	127,184	91,934
Promises to give	<u>16,191</u>	<u>37,427</u>	<u>26,065</u>
Total contract assets	<u>\$ 151,878</u>	<u>\$ 164,611</u>	<u>\$ 117,999</u>

**Note 4 - Contract Assets and Liabilities (continued)**

Contract liabilities are recorded when a customer pays consideration, or the Organization has a right to an amount of consideration that is unconditional, before the transfer of a good or performance of a service to the customer. Thus, the Organization has an obligation to transfer the good or service to the customer at a future date. The Organization's contract liabilities consist of deferred revenue which are comprised of amounts received for business sponsorship contracts which will be satisfied in the following fiscal year.

Significant changes in contract liabilities from contracts with customers are as follows:

<u>Years Ended September 30</u>	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of year	\$ 56,021	\$ 48,136
Revenue recognized that was included in deferred revenue at the beginning of the year	(56,021)	(48,136)
Increase in deferred revenue due to cash received during year	<u>49,932</u>	<u>56,021</u>
<u>Deferred revenue, end of year</u>	<u>\$ 49,932</u>	<u>\$ 56,021</u>

**Note 5 - Property and Equipment**

A description of property and equipment is as follows:

<u>At September 30</u>	<u>2022</u>	<u>2021</u>
Broadcasting and tower equipment	\$ 1,495,546	\$ 1,588,325
Building and improvements	377,807	367,771
Office equipment	149,671	155,998
Vehicle	37,146	37,146
Land	11,579	11,579
Construction in progress	<u>12,387</u>	
	2,084,136	2,160,819
Less: accumulated depreciation	<u>(1,182,226)</u>	<u>(1,216,337)</u>
<u>Property and equipment, net</u>	<u>\$ 901,910</u>	<u>\$ 944,482</u>

Depreciation expense for the years ended September 30, 2022 and 2021, was \$99,969 and \$100,065, respectively.

## **Note 6 - Intangible Assets**

Intangible assets include radio station broadcasting licenses and high definition (HD) broadcasting rights that have indefinite useful lives and are not amortized, but instead are reviewed for impairment on an annual basis or other times during the year if events or circumstances indicate that it is more likely than not that the fair value, as defined in ASC 350, is below the carrying amount. No impairment loss was recognized for the year ended September 30, 2022. An impairment loss was recognized in the amount of \$43,417 for the year ended September 30, 2021. The impairment loss was calculated based on the amount the carrying value of the asset exceeding its estimated fair value determined by management based on the estimated future cash flows.

Intangible assets also include a domain name which is subject to amortization. The domain name is being amortized over its useful life of fifteen years.

A description of intangible assets is as follows:

<u>At September 30</u>	<u>2022</u>	<u>2021</u>
Indefinite-lived intangible assets:		
Mars Hill station broadcasting rights	\$ 124,122	\$ 124,122
WZQS broadcasting rights	95,000	95,000
Mars Hill station HD broadcasting rights	<u>5,000</u>	<u>5,000</u>
	224,122	224,122
Less: accumulated impairment loss	<u>(43,417)</u>	<u>(43,417)</u>
Total indefinite-lived intangible asset	<u>180,705</u>	<u>180,705</u>
Definite-lived intangible asset:		
Domain name	10,176	10,176
Less: accumulated amortization	<u>(3,901)</u>	<u>(3,222)</u>
Total definite-lived intangible asset	<u>6,275</u>	<u>6,954</u>
<u>Intangible assets, net</u>	<u>\$ 186,980</u>	<u>\$ 187,659</u>

Amortization expense for the years ended September 30, 2022 and 2021, was \$679 and \$678, respectively.

Future amortization expense is as follows:

<u>Years Ending September 30</u>	
2023	\$ 678
2024	678
2025	678
2026	678
2027	678
Thereafter	<u>2,885</u>
<u>Total</u>	<u>\$ 6,275</u>

## **Note 7 - Beneficial Interest in Endowment Funds**

The beneficial interest in endowment funds is managed by the Community Foundation of Western North Carolina, Inc. (Foundation). The fund agreements grant variance power to the Foundation. This power allows the Board of Directors of the Foundation to modify any condition or restriction on the distribution of funds, if, in its sole judgment (without the approval of any trustee, custodian, or agent), such condition or restriction becomes in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs served by the Foundation. Under the terms of the agreements, the Organization can withdraw all or a portion of the original principal provided the governing board of the Organization and the Foundation approve the withdrawal. The Organization's beneficial interest in endowment funds is invested in an allocated investment pool at the Foundation and are presented in the financial statements in the aggregate at fair value.

The Organization is also the specified beneficiary for an additional endowment fund (McGuire Endowment Fund) held by the Foundation. The fair value of the fund at September 30, 2022 and 2021, was \$395,568 and \$494,201, respectively. In accordance with professional standards, the balance of the McGuire Endowment Fund is not reflected in the Organization's financial records. For the years ended at September 30, 2022 and 2021, the fund distributed grants to the Organization in the amounts of \$20,740 and \$20,340, respectively, which are reflected in the accompanying statements of activities.

## **Note 8 - Fair Value Measurements**

Investments and beneficial interest in endowment funds are reported in the accompanying financial statements at estimated fair value in accordance with the fair value hierarchy. The following is a description of the valuation methodologies used for assets measured at fair value:

### *Equity Investments*

Equity investments consist of common stock. These investments are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

### *Beneficial Interest in Endowment Funds*

The fair value of the beneficial interest in endowment funds is provided by the Foundation. Due to the inputs being unobservable, the instruments are categorized as Level 3.

The following table sets forth estimated fair values for financial instruments:

<u>At September 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equity investments:				
Common stock	\$ 1,797	\$	\$	\$ 1,797
Beneficial interest in endowment funds			1,269,305	1,269,305
<u>Total fair value measurements</u>	<u>\$ 1,797</u>	<u>\$</u>	<u>\$ 1,269,305</u>	<u>\$ 1,271,102</u>

**Note 8 - Fair Value Measurements (continued)**

At September 30, 2021	Level 1	Level 2	Level 3	Total
Beneficial interest in endowment funds	\$ _____	\$ _____	\$ 1,352,075	\$ 1,352,075
<b>Total fair value measurements</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ 1,352,075</b>	<b>\$ 1,352,075</b>

A reconciliation of changes in Level 3 inputs is as follows:

Years Ended September 30	2022	2021
Level 3 inputs, beginning of year	\$ 1,352,075	\$ 995,301
Contributions		186,378
Interest and dividends	12,211	10,678
Net gains (losses) on beneficial interest in endowment funds	(84,764)	182,389
Distributions		(11,770)
Management fees	(10,217)	(10,901)
<b>Level 3 inputs, end of year</b>	<b>\$ 1,269,305</b>	<b>\$ 1,352,075</b>

**Note 9 - Accrued Expenses**

Accrued expenses are described as follows:

At September 30	2022	2021
Accrued payroll	\$ 36,639	\$ 42,186
Accrued compensated absences	61,063	75,148
Accrued commissions	6,421	8,718
Federal tax payable	8,642	
Retirement contributions	_____	38,233
<b>Accrued expenses</b>	<b>\$ 112,765</b>	<b>\$ 164,285</b>

**Note 10 - Rental Income**

The Organization leases office space and tower use as the lessor to various individuals and companies under operating leases. For the years ended September 30, 2022 and 2021, rental income was \$56,814 and \$42,559, respectively.

**Note 10 - Rental Income (continued)**

Future minimum payments to be received under these leases are as follows:

<u>Years Ending September 30</u>		
2023	\$	26,717
2024		16,253
2025		15,709
2026		5,546
2027		
Total	\$	64,225

**Note 11 - Grant Revenue**

During the years ended September 30, 2022 and 2021, the Organization recognized grant revenue related to the following:

<u>Years Ended September 30</u>	<u>2022</u>	<u>2021</u>
CPB community services grants	\$ 271,593	\$ 239,658
CPB American Rescue Plan Act stabilization grant		245,960
McGuire Fund	20,740	20,340
Other grants	<u>24,800</u>	
Grant revenue	\$ 317,133	\$ 505,958

**Major Grantor**

Major grantors exist when revenue from a single source equals 10% or more of the Organization's total revenue. Grants from one such grantor were \$271,593 and \$485,618 during the years ended September 30, 2022 and 2021, respectively.

**Note 12 - In-kind Contributions**

In-kind gifts are acknowledged for the furtherance of the various programs and mission of the Organization. The Organization regularly trades underwriting spots for goods and services. This underwriting is generally included in the Organization's in-kind contributions and related expenses. Volunteers also provided a variety of tasks that assist the Organization with specific objectives throughout the fiscal year that are not recognized as in-kind contributions in the financial statements since the recognition criteria were not met.



**Note 12 - In-kind Contributions (continued)**

In-kind contributions are summarized as follows:

<u>Year Ended September 30, 2022</u>			
	<u>Fair Value</u>	<u>Usage in Program</u>	<u>Donor Restriction</u>
Barter underwriting spots	\$ 39,379	Program services	None
Tower rent	<u>2,139</u>	Program services	None
Total contributions of nonfinancial assets	<u>\$ 41,518</u>		

  

<u>Year Ended September 30, 2021</u>			
	<u>Fair Value</u>	<u>Usage in Program</u>	<u>Donor Restriction</u>
Barter underwriting spots	\$ 31,346	Program services	None
Tower rent	<u>3,852</u>	Program services	None
Total contributions of nonfinancial assets	<u>\$ 35,198</u>		

Fair value techniques - Barter underwriting spots are valued at the donor provided amount of the goods or services being traded, or the price that would be paid to purchase comparable goods or services. Tower rent is valued at the landlord provided amount of the rental discount.

**Note 13 - Retirement Plan**

The Organization participates in a 403(b) defined contribution retirement plan (the Plan). Employees that meet criteria as defined by the Plan are eligible for participation in the Plan after attaining age eighteen and completing ninety days of service. The Organization matches employee contributions up to 5% of the employee's eligible compensation as defined by the Plan. In addition, the Organization made nonelective contributions of 5% of compensation annually. All employee and employer contributions are immediately vested.

The Plan was amended effective January 1, 2021 to remove nonelective contributions and change criteria related to eligibility and compensation.

Retirement benefit expenses under the Plan for the years ended September 30, 2022 and 2021, were \$46,297 and \$104,738, respectively.

### **Note 13 - Retirement Plan (continued)**

During the year ended September 30, 2020, the Organization became aware of noncompliance with certain Plan provisions and initiated procedures with the Voluntary Correction Program offered by the Internal Revenue Service (IRS). During the year ended September 30, 2021, the Organization reached an agreement with the IRS to correct the noncompliance for \$35,833.

### **Note 14 - Commitments and Contingencies**

#### **Federal Assisted Programs**

The Organization has received proceeds from several federal grants. Periodic audits of these grants and third-party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in a refund or reimbursement to the grantor or third-party agencies. Management believes that refunds or reimbursements, should any be determined, would be immaterial. No provisions have been made in the accompanying financial statements for the repayment of any grant monies or third-party reimbursements.

#### **Lease Commitments**

The Organization leases office space, office equipment, and several translator locations to broadcast its signal under non-cancelable operating leases. The leases require various monthly payments and expire through December 2027. Rent expense for the years ended September 30, 2022 and 2021, was \$183,711 and \$176,853, respectively. Future minimum obligations under all operating leases are as follows:

<u>Years Ending September 30</u>	
2023	\$ 118,367
2024	110,783
2025	100,219
2026	2
2027	<u>2</u>
<u>Total</u>	<u>\$ 329,373</u>

#### **Risk Management**

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Organization carries commercial insurance coverage for risks of loss.

### **Note 15 - Concentration of Credit Risk**

The Organization maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. Uninsured cash balances were \$375,452 and \$356,308 at September 30, 2022 and 2021, respectively.

### **Note 15 - Concentration of Credit Risk (continued)**

The Organization's beneficial interest in endowment funds are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these investments and the level of uncertainty related to changes in the fair value of investments, it is at least reasonably possible that changes in the various risk factors could occur in the near term and materially affect the Organization's beneficial interest in endowment funds account balances and amounts reported in the accompanying financial statements.

### **Note 16 - Income Taxes**

#### **Uncertain Tax Positions**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Management believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

#### **Open Tax Years**

The Organization's Return of Organization Exempt from Income Tax (Form 990) for the years ended September 30, 2021, 2020, and 2019, are subject to examination by the IRS, generally, for three years after they were filed.

### **Note 17 - Related Party Transactions**

The Organization operates as a local affiliate of National Public Radio (NPR) and pays dues for its affiliation and programming fees for subscribed programs offered by NPR. During the years ended September 30, 2022 and 2021, the Organization paid NPR \$299,718 and \$380,952 for dues and programs.

During the years ended September 30, 2022 and 2021, the Organization received contributions of \$117,533 and \$90,863, respectively, from members of the Board of Directors.

During the years ended September 30, 2022 and 2021, the Organization paid for information technology services to a company owned by an employee in the amount of \$6,000 each year.

### **Note 18 - Subsequent Events**

Management has evaluated subsequent events through April 13, 2023, which is the date the financial statements were available to be issued.