

**TEXAS PUBLIC RADIO**  
**COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

**TEXAS PUBLIC RADIO**  
**FINANCIAL STATEMENTS**  
**Year Ended September 30, 2020**

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## Independent Auditor's Report



Board of Directors  
Texas Public Radio  
San Antonio, Texas

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, 2020 and 2019, the related combined statements of activities and functional expenses for the year ended September 30, 2020, the combined statements of cash flows for the years ended September 30, 2020 and 2019, and the related notes to the combined financial statements.

### Management's Responsibility 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; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

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, 2020 and 2019, and the changes in its net assets for the year ended September 30, 2020, and its cash flows for the years ended September 30, 2020 and 2019 in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited Texas Public Radio's 2019 combined financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

San Antonio, Texas  
[REPORT DATE]

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**TEXAS PUBLIC RADIO**  
**COMBINED STATEMENT OF FINANCIAL POSITION**  
**September 30, 2020 and 2019**

<b>ASSETS</b>	<u>2020</u>	<u>2019</u>
<b>Current assets:</b>		
Cash	\$ 5,765,881	\$ 6,944,301
Receivables:		
Accounts receivable	48,202	8,110
Promises to give (net of allowance for uncollectible pledges of \$151,340 in 2020 and \$232,590 in 2019)	1,267,325	1,318,006
Underwriting	206,357	194,780
Due from escrow	690,732	1,497,001
Due under construction funding agreements	<u>1,325,408</u>	<u>-</u>
Total receivables	3,538,024	3,017,897
Prepaid expenses	<u>55,614</u>	<u>517,919</u>
Total current assets	<u>9,359,519</u>	<u>10,480,117</u>
<b>Property and equipment:</b>		
Broadcasting and other equipment	2,846,888	2,234,690
Leasehold improvements	19,265	75,785
Construction in progress	<u>7,105,595</u>	<u>2,639,513</u>
	9,971,748	4,949,988
Less accumulated depreciation	<u>(1,111,982)</u>	<u>(1,572,890)</u>
Property and equipment, net	<u>8,859,766</u>	<u>3,377,098</u>
<b>Other assets:</b>		
Cash and investments held in escrow for construction	621,118	4,231,645
Promises to give, long-term (net of allowance for uncollectible pledges of \$120,291 in 2020 and \$198,470 in 2019)	681,646	1,124,657
Investments restricted for endowment	<u>330,717</u>	<u>310,651</u>
Total other assets	<u>1,633,481</u>	<u>5,666,953</u>
Total assets	<u>\$ 19,852,766</u>	<u>\$ 19,524,168</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 1,219,695	\$ 1,965,689
Accrued liabilities	318,463	169,250
Notes payable due within one year	<u>600,000</u>	<u>-</u>
Total current liabilities	<u>2,138,158</u>	<u>2,134,939</u>
<b>Long-term and other liabilities:</b>		
Construction loan payable	4,729,513	5,229,513
PPP note payable	669,000	-
Less amount due within one year	<u>(600,000)</u>	<u>-</u>
Total long-term and other liabilities	<u>4,798,513</u>	<u>5,229,513</u>
Total liabilities	<u>6,936,671</u>	<u>7,364,452</u>
<b>Net assets:</b>		
Without donor restrictions:		
Undesignated	5,180,489	2,622,247
Fixed assets	4,751,371	2,379,230
Board-designated	<u>4,817</u>	<u>4,817</u>
Total net assets without donor restrictions	<u>9,936,677</u>	<u>5,006,294</u>
With donor restrictions:		
Time or purpose restrictions	2,653,518	6,847,611
Restrictions that are perpetual in nature	<u>325,900</u>	<u>305,811</u>
Total net assets with donor restrictions	<u>2,979,418</u>	<u>7,153,422</u>
Total net assets	<u>12,916,095</u>	<u>12,159,716</u>
Total liabilities and net assets	<u>\$ 19,852,766</u>	<u>\$ 19,524,168</u>

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

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

**Year Ended September 30, 2020**

(With Comparative Totals For Year Ended September 30, 2019)

	Without Donor Restrictions			With Donor Restrictions	Total	
	Operations	Fixed Assets	Board-Designated		2020	2019
<b>Support and revenues:</b>						
Special events:						
Gross revenue	\$ 51,767	\$ -	\$ -	\$ -	\$ 51,767	\$ 93,286
Less direct expenses	(7,860)	-	-	-	(7,860)	(13,162)
Net special events support	43,907	-	-	-	43,907	80,124
Program underwriting contracts	1,860,193	-	-	-	1,860,193	2,092,294
Grants	894,408	-	-	301,608	1,196,016	543,964
Contributions	182,682	-	-	524,515	707,197	4,257,492
Memberships	1,988,626	-	-	484,084	2,472,710	2,383,050
Investment income	128,604	-	-	4,147	132,751	60,262
Miscellaneous	12,546	-	-	-	12,546	7,292
	5,110,966	-	-	1,314,354	6,425,320	9,424,478
Net assets released from restrictions	1,035,478	4,466,082	-	(5,501,560)	-	-
Total support and revenue	6,146,444	4,466,082	-	(4,187,206)	6,425,320	9,424,478
<b>Expenses:</b>						
Program services:						
Broadcasting	3,068,989	174,531	-	-	3,243,520	2,994,351
Marketing	1,275,373	21,606	-	-	1,296,979	1,258,262
Total program services	4,344,362	196,137	-	-	4,540,499	4,252,613
Supporting services:						
Administrative	435,961	6,970	-	-	442,931	408,849
Development	691,745	6,968	-	-	698,713	687,057
Total supporting services	1,127,706	13,938	-	-	1,141,644	1,095,906
Total expenses	5,472,068	210,075	-	-	5,682,143	5,348,519
Change in net assets before unrealized gains (losses)	674,376	4,256,007	-	(4,187,206)	743,177	4,075,959
Unrealized gains (losses) on investments	-	-	-	13,202	13,202	(7,503)
Change in net assets	674,376	4,256,007	-	(4,174,004)	756,379	4,068,456
<b>Net assets at beginning of year</b>	2,622,247	2,379,230	4,817	7,153,422	12,159,716	8,091,260
Net interfund transfers	1,883,866	(1,883,866)	-	-	-	-
<b>Net assets at end of year</b>	<u>\$ 5,180,489</u>	<u>\$ 4,751,371</u>	<u>\$ 4,817</u>	<u>\$ 2,979,418</u>	<u>\$ 12,916,095</u>	<u>\$ 12,159,716</u>

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

**TEXAS PUBLIC RADIO**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2020**

(With Comparative Totals For Year Ended September 30, 2019)

	Program Services			Management and General			Total Expenses	
	Broadcasting	Marketing	Total	Administrative	Development	Total	2020	2019
Salaries	\$ 1,414,897	\$ 914,244	\$ 2,329,141	\$ 294,775	\$ 339,061	\$ 633,836	\$ 2,962,977	\$ 2,745,785
Payroll taxes	109,560	70,830	180,390	22,818	26,206	49,024	229,414	213,501
Payroll benefits	189,710	122,735	312,445	39,529	43,546	83,075	395,520	349,273
Total salaries and related expenses	1,714,167	1,107,809	2,821,976	357,122	408,813	765,935	3,587,911	3,308,559
Advertising	66	15,678	15,744	-	2,240	2,240	17,984	5,177
Audience research	18,222	-	18,222	-	18,222	18,222	36,444	29,135
Bad debt expense	-	-	-	-	-	-	-	15,000
Bank charges	140	171	311	-	111,226	111,226	111,537	102,895
Contract labor	3,240	-	3,240	730	1,540	2,270	5,510	42,961
Equipment rental and maintenance	41,249	24,652	65,901	9,871	21,146	31,017	96,918	37,821
Facilities	-	1,525	1,525	-	1,521	1,521	3,046	7,964
Food expense	4,643	2,129	6,772	696	24,962	25,658	32,430	31,289
Honorarium fees and prizes	-	9,600	9,600	-	2,127	2,127	11,727	12,822
Insurance - liability	22,793	14,721	37,514	4,748	5,224	9,972	47,486	38,354
Internet expense	41,698	786	42,484	206	4,668	4,874	47,358	34,828
Mailing acquisition/renewal	-	-	-	-	2,149	2,149	2,149	1,590
Membership premiums	-	4,412	4,412	-	16,978	16,978	21,390	12,038
Memberships	-	-	-	-	4,901	4,901	4,901	4,586
Miscellaneous	3,038	1,092	4,130	347	387	734	4,864	518
Office expenses	14,193	9,010	23,203	462	4,147	4,609	27,812	20,379
Postage and shipping	358	2,647	3,005	811	12,881	13,692	16,697	20,093
Printing	260	2,050	2,310	103	15,620	15,723	18,033	16,949
Production costs	138,556	-	138,556	-	-	-	138,556	57,585
Professional fees	22,958	15,015	37,973	6,258	7,624	13,882	51,855	129,531
Program fees	661,077	-	661,077	-	-	-	661,077	646,698
Promotional	-	22,395	22,395	-	-	-	22,395	5,964
Recruiting	7,121	-	7,121	-	-	-	7,121	1,589
Rent	48,157	31,469	79,626	10,033	10,668	20,701	100,327	309,232
Replacement parts and supplies	12,711	-	12,711	-	-	-	12,711	7,980
Satellite interconnect fee	12,125	-	12,125	-	-	-	12,125	10,875
Staff development	28,597	511	29,108	1,494	1,166	2,660	31,768	26,390
Telephone	7,996	1,860	9,856	598	672	1,270	11,126	12,871
Tower lease	173,355	-	173,355	-	-	-	173,355	140,048
Trade affiliation fees	3,006	2,036	5,042	3,518	8,986	12,504	17,546	18,313
Travel	22,070	2,811	24,881	3,805	2,791	6,596	31,477	43,314
Utilities	67,193	2,994	70,187	35,159	1,086	36,245	106,432	67,073
Total expenses before depreciation	3,068,989	1,275,373	4,344,362	435,961	691,745	1,127,706	5,472,068	5,220,421
Depreciation	174,531	21,606	196,137	6,970	6,968	13,938	210,075	128,098
Total expenses	<u>\$ 3,243,520</u>	<u>\$ 1,296,979</u>	<u>\$ 4,540,499</u>	<u>\$ 442,931</u>	<u>\$ 698,713</u>	<u>\$ 1,141,644</u>	<u>\$ 5,682,143</u>	<u>\$ 5,348,519</u>

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

**TEXAS PUBLIC RADIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**Years Ended September 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash flow from operating activities:</b>		
Change in net assets	\$ 756,379	\$ 4,068,456
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	210,075	128,098
Realized and unrealized losses on investments	(7,376)	5,137
Contributions restricted for capital campaign	(521,775)	(4,205,046)
Change in:		
Receivables, other than capital campaign	(592,119)	(1,479,907)
Prepaid expenses	462,305	(469,923)
Cash and investments held in escrow	3,610,527	(4,231,645)
Accounts payable	(745,993)	1,797,394
Accrued liabilities	<u>149,213</u>	<u>(5,803)</u>
Net cash provided (used) by operating activities	<u>3,321,236</u>	<u>(4,393,239)</u>
<b>Cash flows from investing activities:</b>		
Net change in cash and investments restricted for endowment	(12,690)	(3,460)
Purchase of property and equipment	<u>(5,692,743)</u>	<u>(2,044,955)</u>
Net cash used by investing activities	<u>(5,705,433)</u>	<u>(2,048,415)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of debt	669,000	5,229,513
Payments on note payable	(500,000)	-
Proceeds from contributions restricted for capital campaign	<u>1,036,778</u>	<u>5,081,664</u>
Net cash provided by financing activities	<u>1,205,778</u>	<u>10,311,177</u>
Net increase (decrease) in cash	(1,178,419)	3,869,523
Cash at beginning of year	<u>6,944,301</u>	<u>3,074,778</u>
Cash at end of year	<u>\$ 5,765,882</u>	<u>\$ 6,944,301</u>
<b>Schedule of supplemental cash flow information:</b>		
Interest paid	<u>\$ 213,171</u>	<u>\$ 187,028</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, 2019, from which the summarized information was derived.

##### **Donated Services**

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

##### **Income Taxes**

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

##### **Restricted and Unrestricted Revenue and Support**

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

(Continued)



## TEXAS PUBLIC RADIO

### NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

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

##### Estimates

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

##### Cash

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

##### Investments

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

##### Cash and Investments Held in Escrow

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

##### Property and Equipment

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

##### Expense Allocation

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

##### Accounting Pronouncements Issued but Not Yet Adopted

###### *Revenue from Contracts with Customers (Topic 606)*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

In June 2020, FASB issued ASU 2020-05 that deferred the effective date until annual periods beginning after December 15, 2019. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements. This may affect TPR in fiscal year 2021.

(Continued)

## TEXAS PUBLIC RADIO

### NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

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

##### Accounting Pronouncements Issued but Not Yet Adopted (Continued)

###### *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.

###### *Not-for-Profit Entities (Topic 958)*

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The new standard modifies guidelines for evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and for determining whether a contribution is conditional.

Portions of the ASU that apply to transactions in which the organization serves as the recipient of resources are effective for fiscal years beginning after December 15, 2018, and portions of the ASU that apply to transactions in which the organization serves as the resource provider are effective for fiscal years beginning after December 15, 2019. This may affect TPR in fiscal year 2021.

##### Recently Adopted Accounting Pronouncements

TPR has adopted the effective portions of ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. This had no impact on the net assets of TPR for the years ended September 30, 2020 and 2019.

##### 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 [REPORT DATE], 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, 2020, TPR's uninsured cash balances totaled \$3,464,871.

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, 2020 and 2019, management estimated the allowance for doubtful accounts to be \$271,631 and \$431,060 for those years, respectively. Accounts determined to be uncollectible by management are initially charged to the allowance for doubtful accounts.

(Continued)

# TEXAS PUBLIC RADIO

## NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

### 3 RECEIVABLES AND CREDIT RISK CONCENTRATION (Continued)

Unconditional promises to give are as follows:

	<u>2020</u>	<u>2019</u>
Capital campaign	\$ 1,539,242	\$ 2,054,245
Restricted for use in future periods	<u>409,729</u>	<u>388,418</u>
	<u>\$ 1,948,971</u>	<u>\$ 2,442,663</u>
	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 1,418,665	\$ 1,550,596
Receivable in one to five years	<u>820,517</u>	<u>1,368,466</u>
Total unconditional promises to give	2,239,182	2,919,062
Less discounts to net present value	(18,580)	(45,339)
Less allowance for uncollectible promises receivable	<u>(271,631)</u>	<u>(431,060)</u>
Net unconditional promises to give	<u>\$ 1,948,971</u>	<u>\$ 2,442,663</u>

Promises to give receivable in more than one year are discounted at 1.77%.

### 4 INVESTMENTS

TPR owned the following investments at September 30, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
<b>Restricted for Endowment:</b>				
Cash and equivalents	\$ -	\$ -	\$ 23	\$ 23
Pooled investment funds	<u>321,316</u>	<u>330,717</u>	<u>314,429</u>	<u>310,628</u>
	<u>\$ 321,316</u>	<u>\$ 330,717</u>	<u>\$ 314,452</u>	<u>\$ 310,651</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. At September 30, 2020 and 2019, TPR's investments in pooled investment funds were reported at fair value using a Level 3 measure.

The following table sets 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, 2020 and 2019:

	<u>2020</u>				
	<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>\$ 310,628</u>	<u>\$ 2,740</u>	<u>\$ -</u>	<u>\$ 17,349</u>	<u>\$ 330,717</u>
	<u>2019</u>				
	<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>\$ 312,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,700)</u>	<u>\$ 310,628</u>

**TEXAS PUBLIC RADIO**

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
(Continued)

**5 PROGRAM UNDERWRITING CONTRACTS**

Program underwriting contracts revenue consisted of the following:

	<u>2020</u>	<u>2019</u>
Business memberships	\$ 369,793	\$ 408,033
Underwriting contracts	<u>1,490,400</u>	<u>1,684,261</u>
	<u>\$ 1,860,193</u>	<u>\$ 2,092,294</u>

**6 PROPERTY AND EQUIPMENT**

Property and equipment of TPR consisted of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 16,000	\$ 16,000
Broadcast equipment	2,011,544	1,923,802
Library	28,701	30,241
Furniture, fixtures and equipment	790,643	264,647
Leasehold improvements	19,265	75,785
Construction in progress	<u>7,105,595</u>	<u>2,639,513</u>
	9,971,748	4,949,988
Less accumulated depreciation	<u>(1,111,982)</u>	<u>(1,572,890)</u>
Net property and equipment	<u>\$ 8,859,766</u>	<u>\$ 3,377,098</u>

**7 DEBT**

*Revolving Line of Credit*

TPR has a \$250,000 revolving line of credit with a financial institution, which matures on August 1, 2021. Advances on the unsecured line of credit bear interest at the Bank's floating prime rate of 4.25%. At September 30, 2020, 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 \$4,729,513 and \$5,229,513 at September 30, 2020 and 2019, respectively. Interest is due monthly at the Wall Street Journal prime rate through July 21, 2021, and at 4.5% thereafter.

*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. The loan is recorded as a financial liability and interest expense is accrued at the rate stipulated by the debt agreement.

The original note payable bears an interest rate of 1%, with a forbearance on interest and principal payments until November 22, 2020. In June 2020, payments were deferred until 2021 by the Paycheck Protection Program Flexibility Act of 2020. In December 2020, TPR was granted forgiveness of the full balance of the loan. As TPR elected to account for this as debt, the loan forgiveness will not be recognized as income until the year ended September 30, 2021. As the loan is no longer due to be paid in the following year, it has been excluded from current liabilities and is included in long-term liabilities on the Statement of Financial Position at September 30, 2020.

(Continued)

# TEXAS PUBLIC RADIO

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

### 7 DEBT (Continued)

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 600,000
2022	1,200,000
2023	<u>2,929,513</u>
	<u>\$ 4,729,513</u>

TPR incurred interest in the amount of \$213,171 and \$187,028 during the years ended September 30, 2020 and 2019, respectively, all of which was capitalized under construction in progress.

### 8 LEASES

TPR leases its facilities and offices under several operating leases expiring at various dates through July 2023. The following are future minimum rental payments under these leases:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 153,512
2022	153,474
2023	129,223
2024	22,810
2025	22,810
Thereafter	<u>205,340</u>
	<u>\$ 687,169</u>

TPR leases its office equipment under one operating lease that expires in November 2021. The following are future minimum rental payments under these leases:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 3,438
2022	<u>573</u>
	<u>\$ 4,011</u>

Total rent payments on these leases for the years ended September 30, 2020 and 2019 were \$277,303 and \$452,915, 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, 2020 and 2019 were \$61,330 and \$46,181, respectively.

### 10 FUNDRAISING EXPENSE

Total fundraising expense for the years ended September 30, 2020 and 2019 was \$698,713 and \$687,057, respectively.

# TEXAS PUBLIC RADIO

## NOTES TO COMBINED FINANCIAL STATEMENTS

(Continued)

### 11 NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2020 and 2019, net assets with donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose or time period:		
Challenge grants	\$ 46,313	\$ 75,600
Other grants	185,966	10,000
Pledges	420,270	456,963
Capital campaign	<u>2,000,969</u>	<u>6,305,048</u>
Total net assets subject to expenditure for specified purpose or time period:	2,653,518	6,847,611
Subject to restrictions that are perpetual in nature:		
Endowment corpus for support of TPR	<u>325,900</u>	<u>305,811</u>
Total net assets with donor restrictions	<u>\$ 2,979,418</u>	<u>\$ 7,153,422</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>2020</u>	<u>2019</u>
Satisfaction of purpose or time restrictions:		
Challenge grants released	\$ 93,100	\$ 230,813
Other grants released	125,642	10,000
Accrued pledges	456,963	333,692
Capital campaign expenditures	<u>4,825,855</u>	<u>2,082,390</u>
Net assets released from restriction	<u>\$ 5,501,560</u>	<u>\$ 2,656,895</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 distribute its income as "evenly" as practical on an annual basis in order to facilitate the planning and budgeting objectives, and the setting of the asset allocation and expected return targets of the portfolio. Knowing that the investment rate of return will vary from year to year, and to avoid distributing more investment income in the high return investment years so that adequate funds are available in the low or negative return investment years, a disciplined distribution policy is prudent.

The annual distribution amount will be set as of the end of the previous fiscal year (September 30), and will be calculated based on the average quarterly market value of the fund balances for the preceding three years. 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, 2020 and 2019 is as follows:

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

  

2019			
Without Donor Restrictions	With Donor Restrictions		Total Endowment
	Time or Purpose	Perpetual in Nature	
Donor-restricted endowment funds	\$ -	\$ 305,811	\$ 305,811
Board-designated endowment funds	4,817	-	4,817
Total endowment funds	<u>\$ 4,817</u>	<u>\$ 305,811</u>	<u>\$ 310,628</u>

Changes in endowment net assets for the years ended of September 30, 2020 and 2019 were as follows:

2020			
Without Donor Restrictions	With Donor Restrictions		Total Endowment
	Time or Purpose	Perpetual in Nature	
Endowment net assets, beginning of year	\$ 4,817	\$ 305,811	\$ 310,628
Contributions	-	2,740	2,740
Transfers	-	-	-
Investment income	-	205	205
Net appreciation (depreciation)	-	17,144	17,144
Amounts appropriated for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ 4,817</u>	<u>\$ 325,900</u>	<u>\$ 330,717</u>

  

2019			
Without Donor Restrictions	With Donor Restrictions		Total Endowment
	Time or Purpose	Perpetual in Nature	
Endowment net assets, beginning of year	\$ 4,817	\$ 307,511	\$ 312,328
Contributions	-	-	-
Transfers	-	-	-
Investment income	-	1,651	1,651
Net appreciation (depreciation)	-	(3,351)	(3,351)
Amounts appropriated for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ 4,817</u>	<u>\$ 305,811</u>	<u>\$ 310,628</u>



**TEXAS PUBLIC RADIO**

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
(Continued)

**13 NONCASH COMMODITIES AND SERVICES**

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

	<u>2020</u>	<u>2019</u>
Commodities	\$ 60,839	\$ 84,429
Services	<u>27,167</u>	<u>56,751</u>
	<u>\$ 88,006</u>	<u>\$ 141,180</u>

**14 REVENUE AND SUPPORT CONCENTRATIONS**

For the years ended September 30, 2020 and 2019, approximately 6.2% and 15.9%, respectively, or \$400,000 and \$1,850,000, respectively, of TPR's contribution revenue came from a single donor in each year.

**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 \$621,118 and \$4,231,645 at September 30, 2020 and 2019. TPR has also recorded a receivable for project expenditures that are to be reimbursed from the City of San Antonio and Bexar County shares of the escrow fund, which totaled \$690,732 and \$1,497,001 at September 30, 2020 and 2019. 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 \$1,325,408 as of September 30, 2020 for project expenditures to be reimbursed under those agreements. As of September 30, 2020 and 2019, TPR has capitalized \$7,105,595 and \$2,639,513, respectively, in construction in progress for leasehold improvements related to this property.

## 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	\$ 5,765,881
Investments restricted for endowment	330,717
Cash and investments held in escrow	621,118
Receivables:	
Accounts receivable	48,202
Promises to give, net	1,948,971
Underwriting	206,357
Due from escrow	690,732
Financial assets at year end	<u>9,611,978</u>
Less those unavailable for general expenditure within one year, due to:	
Promises to give, long-term, net	(681,646)
Investments restricted for endowment	(330,717)
Cash and investments held in escrow	(621,118)
Donor-restricted to expenditure for specific purposes	<u>(1,971,872)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 6,006,625</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, 2020, TPR has financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 401 days of average operating expenses.

#### 17 SUBSEQUENT EVENTS

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

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