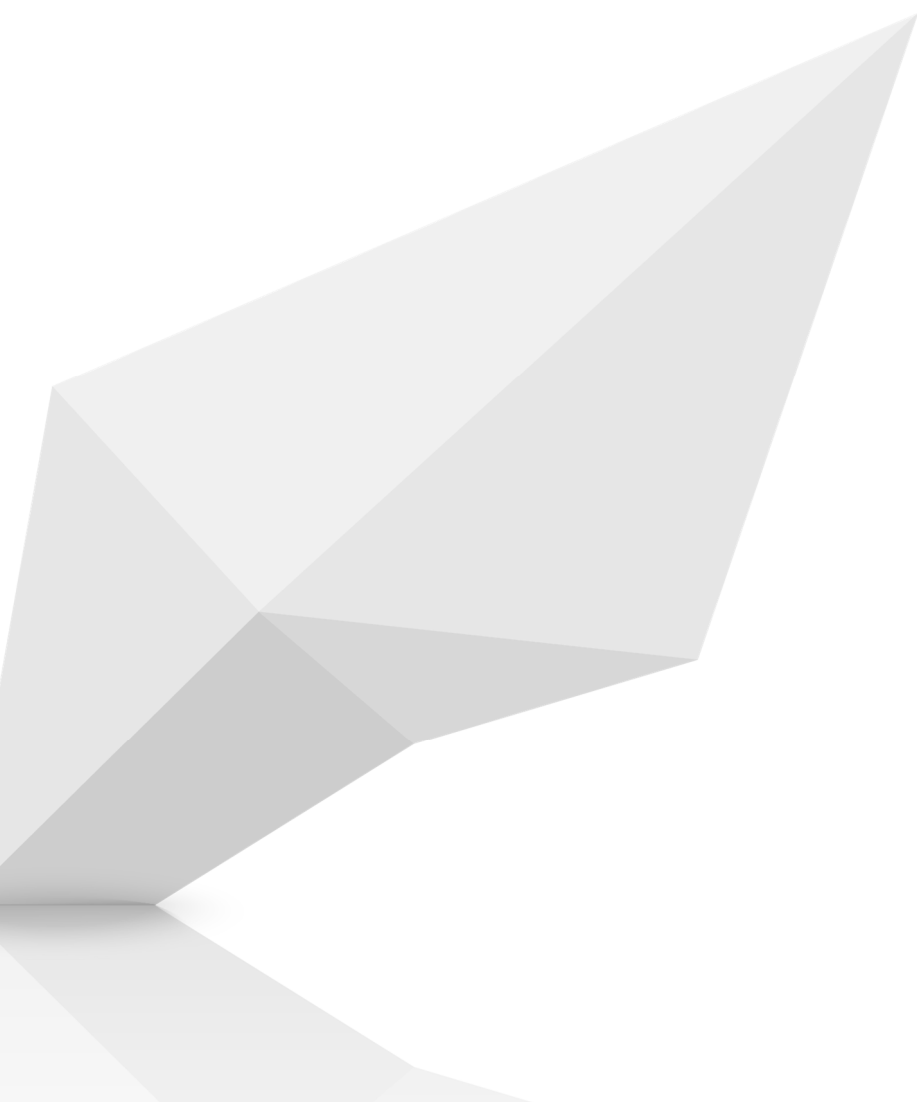


# South Texas Public Broadcasting System, Inc.

Financial Statements and Supplementary Information

Years Ended June 30, 2022 and 2021



**WIPFLI**

## **Independent Auditor's Report**

To the Board of Directors  
South Texas Public Broadcasting System, Inc.  
Corpus Christi, Texas

### ***Opinion***

We have audited the accompanying financial statements of South Texas Public Broadcasting System, Inc. (the "Station"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of South Texas Public Broadcasting System, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Texas Public Broadcasting System, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Prior Period Financial Statements***

The financial statements of South Texas Public Broadcasting System, Inc. as of June 30, 2021 were audited by other auditors whose report dated February 13, 2022 expressed an unmodified opinion on those statements.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 South Texas Public Broadcasting System, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 South Texas Public Broadcasting System, Inc.'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 South Texas Public Broadcasting System, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Supplementary Information***

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

*Wipfli LLP*

Wipfli LLP

South Portland, Maine  
January 5, 2023

# South Texas Public Broadcasting System, Inc.

## Statements of Financial Position

<i>June 30,</i>	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 829,175	\$ 1,049,487
Certificates of deposit	1,687,357	1,668,818
Accounts receivable	41,330	33,292
Contributions receivable	4,000	100,492
Prepaid expenses and other	77,816	124,162
Beneficial interest in assets	15,391	14,507
Property and equipment, net	6,694,539	7,008,155
<b>Total assets</b>	<b>\$ 9,349,608</b>	<b>\$ 9,998,913</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 23,987	\$ 14,489
Accrued expenses	49,092	44,735
Line of credit	-	15,466
Refundable advance	-	181,035
Deferred revenue	29,561	28,550
Capital leases	2,736,995	2,939,159
<b>Total liabilities</b>	<b>2,839,635</b>	<b>3,223,434</b>
Net assets		
Without donor restrictions	5,807,553	5,909,773
With donor restrictions	702,420	865,706
<b>Total net assets</b>	<b>6,509,973</b>	<b>6,775,479</b>
<b>Total liabilities and net assets</b>	<b>\$ 9,349,608</b>	<b>\$ 9,998,913</b>

See accompanying notes to financial statements.

# South Texas Public Broadcasting System, Inc.

## Statement of Activities

<i>Year Ended June 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>			
CPB grants	\$ 955,286	\$ -	\$ 955,286
Membership contributions	648,630	-	648,630
Auction	(1,600)	-	(1,600)
Special events	116,252	-	116,252
Program underwriting	239,645	25,000	264,645
Challenge	46,500	-	46,500
Trade-out and in-kind	125,664	-	125,664
Rent income	36,317	-	36,317
Miscellaneous income	17,850	-	17,850
PPP grant	181,035	-	181,035
Interest income	19,933	-	19,933
Net assets released from restrictions	188,286	(188,286)	-
<b>Total revenue</b>	<b>2,573,798</b>	<b>(163,286)</b>	<b>2,410,512</b>
<b>Expenses</b>			
Program services			
Programming and production	1,475,479	-	1,475,479
Broadcasting	285,784	-	285,784
<b>Total program services</b>	<b>1,761,263</b>	<b>-</b>	<b>1,761,263</b>
Development and underwriting	452,009	-	452,009
Management and general	462,746	-	462,746
<b>Total expenses</b>	<b>2,676,018</b>	<b>-</b>	<b>2,676,018</b>
Change in net assets	(102,220)	(163,286)	(265,506)
Net assets, beginning of year	5,909,773	865,706	6,775,479
Net assets, end of year	\$ 5,807,553	\$ 702,420	\$ 6,509,973

See accompanying notes to financial statements.

# South Texas Public Broadcasting System, Inc.

## Statement of Activities

<i>Year Ended June 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>			
CPB grants	\$ 891,976	\$ 709,504	\$ 1,601,480
Membership contributions	812,201	102,201	914,402
Auction	5,148	-	5,148
Special events	25,598	-	25,598
Program underwriting	185,071	25,000	210,071
Challenge	50,350	-	50,350
Trade-out and in-kind	125,571	-	125,571
Rent income	32,734	-	32,734
Miscellaneous income	11,433	-	11,433
PPP grant	223,120	-	223,120
Interest income	27,974	-	27,974
Net assets released from restrictions	59,421	(59,421)	-
<b>Total revenue</b>	<b>2,450,597</b>	<b>777,284</b>	<b>3,227,881</b>
<b>Expenses</b>			
Program services			
Programming and production	1,371,590	-	1,371,590
Broadcasting	300,282	-	300,282
<b>Total program services</b>	<b>1,671,872</b>	<b>-</b>	<b>1,671,872</b>
Development and underwriting	426,885	-	426,885
Management and general	472,396	-	472,396
<b>Total expenses</b>	<b>2,571,153</b>	<b>-</b>	<b>2,571,153</b>
Change in net assets	(120,556)	777,284	656,728
Net assets, beginning of year	6,030,329	88,422	6,118,751
Net assets, end of year	\$ 5,909,773	\$ 865,706	\$ 6,775,479

See accompanying notes to financial statements.

# South Texas Public Broadcasting System, Inc.

## Statement of Functional Expenses

<i>Year Ended June 30, 2022</i>	TV Program	FM Program		Total Program	Development	Management	Total
	Services	Services	Broadcasting	Services	and Underwriting	and General	Expenses
Salaries	\$ 125,633	\$ 135,912	\$ 163,335	\$ 424,880	\$ 265,193	\$ 158,382	\$ 848,455
Employee benefits	14,324	7,099	5,599	27,022	3,264	6,587	36,873
Payroll taxes	9,571	9,718	13,054	32,343	20,229	11,575	64,147
Programming	445,350	201,228	-	646,578	-	-	646,578
Depreciation	209,709	78,911	14,714	303,334	16,369	8,537	328,240
Professional services	46,000	13,866	23,170	83,036	61,515	153,738	298,289
Insurance	60,189	21,738	5,279	87,206	4,553	2,508	94,267
Program supplies	-	-	-	-	24,857	-	24,857
Utilities	-	19,495	28,436	47,931	-	77,993	125,924
Interest and fees	-	-	-	-	-	12,306	12,306
General supplies	332	856	104	1,292	30,753	4,885	36,930
Network memberships	-	14,258	-	14,258	-	-	14,258
Rent	2,466	7,671	-	10,137	-	-	10,137
Program services	25,849	-	-	25,849	-	4,320	30,169
Bank and other fees	-	-	61	61	12,220	5,337	17,618
Advertising	265	591	-	856	1,716	2,147	4,719
Printing and publications	-	69	-	69	7,904	690	8,663
Repairs and maintenance	-	9,139	21,377	30,516	-	426	30,942
Postage and shipping	-	-	643	643	162	5,818	6,623
Auto and travel	175	710	333	1,218	93	475	1,786
Line charges	1,750	8,522	-	10,272	-	-	10,272
Telephone	-	2,502	5,190	7,692	-	-	7,692
Computer	-	249	4,179	4,428	2,196	-	6,624
Membership dues and subscriptions	170	891	310	1,371	985	6,884	9,240
Business meetings	-	-	-	-	-	138	138
Audio and video tape	271	-	-	271	-	-	271
<b>Total</b>	<b>\$ 942,054</b>	<b>\$ 533,425</b>	<b>\$ 285,784</b>	<b>\$ 1,761,263</b>	<b>\$ 452,009</b>	<b>\$ 462,746</b>	<b>\$ 2,676,018</b>



# South Texas Public Broadcasting System, Inc.

## Statement of Functional Expenses

<i>Year Ended June 30, 2021</i>	TV Program	FM Program		Total	Development		Total
	Services	Services	Broadcasting	Program	and	Management	Expenses
				Services	Underwriting	and General	
Salaries	\$ 118,870	\$ 131,604	\$ 171,567	\$ 422,041	\$ 264,674	\$ 152,507	\$ 839,222
Employee benefits	13,034	4,714	4,941	22,689	4,986	5,958	33,633
Payroll taxes	8,868	9,965	12,997	31,830	19,915	11,413	63,158
Programming	420,515	147,890	-	568,405	-	-	568,405
Depreciation	215,413	77,798	18,893	312,104	16,295	8,974	337,373
Professional services	51,484	10,818	28,396	90,698	45,887	151,317	287,902
Insurance	64,898	23,439	5,692	94,029	4,909	2,704	101,642
Program supplies	299	-	-	299	33,864	-	34,163
Utilities	-	19,249	31,872	51,121	-	76,177	127,298
Interest and fees	-	-	-	-	-	34,202	34,202
General supplies	141	744	1,308	2,193	8,707	4,540	15,440
Network memberships	-	10,792	-	10,792	-	-	10,792
Rent	-	7,200	-	7,200	-	-	7,200
Program services	18,604	-	-	18,604	-	6,066	24,670
Bank and other fees	-	-	818	818	11,992	4,119	16,929
Advertising	-	473	-	473	434	637	1,544
Printing and publications	8	32	-	40	7,993	1,091	9,124
Repairs and maintenance	612	-	8,625	9,237	-	97	9,334
Postage and shipping	19	-	1,572	1,591	-	6,018	7,609
Auto and travel	52	-	542	594	123	796	1,513
Line charges	-	8,340	-	8,340	-	-	8,340
Telephone	-	2,699	6,229	8,928	-	62	8,990
Computer	-	2,047	6,594	8,641	2,195	26	10,862
Membership dues and subscriptions	155	785	236	1,176	3,041	5,626	9,843
Bad debt	-	-	-	-	1,870	-	1,870
Business meetings	-	-	-	-	-	66	66
Audio and video tape	29	-	-	29	-	-	29
<b>Total</b>	<b>\$ 913,001</b>	<b>\$ 458,589</b>	<b>\$ 300,282</b>	<b>\$1,671,872</b>	<b>\$ 426,885</b>	<b>\$ 472,396</b>	<b>\$ 2,571,153</b>

# South Texas Public Broadcasting System, Inc.

## Statements of Cash Flows

Years Ended June 30,	2022	2021
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ (265,506)	\$ 656,728
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	328,240	337,373
Change in beneficial interest	(884)	(2,888)
Bad debt expense		1,870
Changes in operating assets and liabilities:		
Accounts receivable	(8,038)	5,997
Contributions receivable	96,492	(67,781)
Prepaid expenses and other	46,346	(100,387)
Accounts payable	9,498	(23,925)
Accrued expenses	4,357	3,248
Refundable advance	(181,035)	(42,085)
Deferred revenues	1,011	9,886
Net cash flows from operating activities	30,481	778,036
Cash flows from investing activities:		
Net purchases of certificates of deposit	(18,539)	(23,583)
Purchase of property and equipment	(14,624)	(26,235)
Net cash flows from investing activities	(33,163)	(49,818)
Cash flows from financing activities:		
Net repayments on line-of-credit	(15,466)	(200,000)
Principal payments on capital leases	(202,164)	(171,062)
Net cash flows from financing activities	(217,630)	(371,062)
Net changes in cash and cash equivalents	(220,312)	357,156
Cash and cash equivalents, beginning of year	1,049,487	692,331
Cash and cash equivalents, end of year	\$ 829,175	\$ 1,049,487
<i>Supplemental Disclosure of cash flow information:</i>		
Interest paid	\$ 12,306	\$ 34,202

See accompanying notes to financial statements.

# South Texas Public Broadcasting System, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Nature of Activities

South Texas Public Broadcasting System, Inc. (the Station), a not-for-profit organization, corporation which is committed to educating, enlightening, and inspiring all communities of South Texas throughout the Coastal Bend region. The Station operates a public television station, KEDT- TV Channel 16 ("TV"), and two public radio stations, KEDT 90.3 FM and KVRT 90.7 FM ("FM").

#### Basis of Accounting

The financial statements of the Station are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

**Net assets with donor restrictions:** Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restriction expires within the same reporting period in which the contribution is received. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Use of Estimates

The preparation of financial statements in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue, support, and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

The Station considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

# South Texas Public Broadcasting System, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Cash and Cash Equivalents** (Continued)

Certificates of deposit are carried at cost plus accrued interest. Certificates of deposit bear interest at rates ranging from 1.10% to 1.3% and have maturities ranging up to twenty-four months. Any penalties for early withdrawal would not have a material effect on the financial statements.

#### **Accounts Receivable**

Accounts receivable consist primarily of underwriting and other various receivables. They are carried at original amounts billed, less an estimate for doubtful receivables based on periodic review by management. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience to determine uncollectible amounts. Accounts receivable are written off when deemed uncollectible. Recoveries of amounts previously written off are recorded when received.

#### **Promises to Give**

Unconditional promises to give are recorded as receivables in the year pledged. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Promises to give whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions. Unrestricted promises to give to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without restrictions when received, unless the donor's intention is to support current-period activities.

Promises to give expected to be collected in less than one year are reported at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge.

Management individually reviews all past due promises to give balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of promises to give are reduced by allowances that reflect management's estimate of uncollectible amounts.

#### **Beneficial Interest in Assets Held by Community Foundation**

The Station placed funds with Coastal Bend Community Foundation (the "Community Foundation") for the benefit of the Station. The Station granted variance power to the Community Foundation, which allows the Community Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Community Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the Community Foundation for the Station's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

# South Texas Public Broadcasting System, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Property and Equipment

Purchased property and equipment are recorded at cost and donated equipment are recorded at fair value at the date of donation. Maintenance and repairs, which do not improve or extend the lives of the respective assets, are charged against earnings. Depreciation is provided on a straight-line basis over the estimated lives of the respective assets ranging from three to forty years.

#### Grant Revenue

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

- **Grant Awards That Are Contributions** - Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.
- **Grant Awards That Are Exchange Transactions** - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

#### Revenue and Revenue Recognition

The Station recognizes revenue from ticket sales at the time of the event. The Station records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place over time.

Revenues from production contracts, lease agreements, other rentals and services are recognized in the period earned or stipulated in the agreement, as performance obligations are satisfied over time.

#### Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.

# South Texas Public Broadcasting System, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Contribution Revenue** (Continued)

- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Underwriting revenues are contributions to the Station to support its programming or activities in the form of underwriting credit. Nothing of commensurate value is exchanged for underwriting credit, and the Station provides refunds for any underwriting revenues collected if the spots are not aired. Therefore, underwriting revenues contain a barrier to overcome and a right of return or a right of release of the obligation, and are recognized as revenue when the related underwriting credits are aired.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Station. Contributed advertising and promotion are recorded at the fair value of the contribution portion of the total value received.

Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Station reports gifts of equipment, professional services, materials and other nonmonetary contributions as support in the accompanying statements of activities. If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded.

#### **Deferred Revenue**

Income from advance rental payments and the unearned portions of education and program revenue is deferred and recognized over the period to which the dues and fees relate.

# South Texas Public Broadcasting System, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been reported on a functional basis in the statements of activities. The statements of functional expenses present the natural classification details of expenses by function. Expenses which directly benefit the program, and management and general are charged to the respective functional area on the basis of actual cost. Accordingly, certain other personnel, office, and building costs have been allocated across functional groups based on salaries and benefits per functional classification.

#### **Advertising Costs**

The Station expenses advertising costs as incurred. Advertising expense totaled \$4,719 and \$1,544 for the years ended 2022 and 2021, respectively.

#### **Income Tax Status**

The Station is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, though it is subject to tax on income unrelated to its exempt purpose. Accordingly, no provision or liability for income taxes has been included in the financial statements. Management does not believe there are any uncertain tax positions as of June 30, 2022 and 2021.

#### **New Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, Leases: Amendments to the FASB Accounting Standards Codification (Topic 842), which amends the existing guidance on accounting for leases. This ASU requires the recognition of lease assets and liabilities on the statement of financial position and the disclosure of key information about leasing arrangements. The standard (as amended) is effective for the Station's fiscal year ending June 30, 2023. Management is currently evaluating the impact of adopting ASU 2016-02 on the financial statements and the related notes to the financial statements.

#### **Reclassification**

Certain amounts as previously reported in the 2021 financial statements have been reclassified to conform to the 2022 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

# South Texas Public Broadcasting System, Inc.

## Notes to Financial Statements

### Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<i>As of June 30,</i>	2022	2021
Cash and cash equivalents	\$ 829,175	\$ 1,049,487
Certificates of deposit	1,687,357	1,668,818
Accounts receivable	41,330	33,292
Contributions receivable	4,000	100,492
Total financial assets	2,561,862	2,852,089
Less: amounts not available to be used within one year		
Net assets with donor restrictions	(702,420)	(865,706)
Financial assets available to meet general expenditures over the next twelve months	\$ 1,859,442	\$ 1,986,383

The Station manages its liquidity and reserves following three principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

### Note 3: Concentration of Credit Risk

The Station maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At certain times during the year, cash balances may be in excess of FDIC coverage. As of June 30, 2022, the Station has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

### Note 4: Contributions Receivable

Contributions receivable consist of the following:

<i>As of June 30,</i>	2022	2021
Membership and underwriting	\$ 4,000	\$ 106,202
Allowance for doubtful pledges	-	(5,710)
Total	\$ 4,000	\$ 100,492



# South Texas Public Broadcasting System, Inc.

## Notes to Financial Statements

### Note 4: Contributions Receivable (Continued)

Contributions receivable are due, as follows:

<i>As of June 30,</i>	2022	2021
Within one year	\$ 4,000	\$ 106,202

### Note 5: Beneficial Interest in Assets Held by Community Foundation

The Station has a beneficial interest in a fund held by Coastal Bend Community Foundation (the “Community Foundation”) for the purpose of helping to further and carry out the charitable and educational purposes of the Station and its programs. As of June 30, 2022 and 2021, the fair value of the fund was \$15,391 and \$14,507, respectively.

Contractually, the Community Foundation retains legal ownership of principal amounts contributed. However, because the Station names itself as the beneficiary of such contributions, even though the variance power is explicitly stated in the gift instrument to the Community Foundation, the fair value of the fund is reported in the statement of financial position as beneficial interest in assets held by others.

### Note 6: Property and Equipment

Property and equipment consist of the following:

<i>As of June 30,</i>	2022	2021
Land	\$ 22,200	\$ 22,200
Buildings	5,247,042	5,247,042
Transmitters and leasehold improvements - TV	1,897,933	1,897,933
Transmitters and leasehold improvements - FM	1,528,914	1,514,290
Station equipment - TV	2,102,772	2,102,772
Station equipment - TV	377,954	377,954
Office equipment and fixtures	240,748	240,748
Vehicles	8,961	8,961
	11,426,524	11,411,900
Less: Accumulated depreciation	(4,731,985)	(4,403,745)
Total	\$ 6,694,539	\$ 7,008,155

# South Texas Public Broadcasting System, Inc.

## Notes to Financial Statements

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### Note 7: Line of Credit

The Station has a secured bank line of credit for borrowings to a maximum of \$300,000. Interest is variable based on the bank's prime rate plus .5%, with a floor rate of 5%. The line of credit is secured by all Station accounts, payments, grants, and all proceeds therefrom. As of June 30, 2022, there was no outstanding balance. As of June 30, 2021, outstanding borrowings on the line of credit were \$15,466.

### Note 8: Capital Lease Obligation

As part of the planned move to another facility, the Station, in fiscal year 2012, entered into a non-binding Memorandum of Understanding ("MOU") with Del Mar College District with respect to the development, financing, construction, equipping, maintenance, management and operation of an office/studio/ broadcasting facility with related antenna site on a campus of Del Mar College (the "College") in Corpus Christi, Texas. Pursuant to the MOU, the Station and the College entered into a ground lease for the land upon which the Station has constructed a TV tower facility and a satellite dish farm.

The Station entered into a separate broadcasting facilities lease with the College in February 2013. This lease incorporated and superseded the ground lease noted above. Terms under this broadcasting facilities lease provide an original term of 20 years with the option to renew the lease agreement for four successive ten-year periods. The monthly rent payment is a function of the final costs of construction plus interest at the College's cost of funds rate.

The Station relocated its broadcasting facilities to the College's campus during fiscal year 2016. The Station and the College also entered into a joint agreement setting forth, among other things, the terms under which a portion of the leased facilities are shared.

The monthly lease payments of \$15,551 began February 2017. The monthly payments will be made over a 20 year period. Quarterly interest payments are paid based upon the Station's cost of funds rate and are required until the cost of construction is repaid in full. The College's cost of funds rate ranged between approximately 0.3% to 1.9% for the years ended 2022 and 2021. For the years ended 2022 and 2021, interest payments were approximately \$10,000 and \$24,000, respectively.

Property held under capital lease obligations is, as follows:

<i>As of June 30,</i>	2022	2021
Building	\$ 5,247,042	\$ 5,247,042
Less: accumulated depreciation	(839,102)	(711,644)
<b>Total</b>	<b>\$ 4,407,940</b>	<b>\$ 4,535,398</b>

# South Texas Public Broadcasting System, Inc.

## Notes to Financial Statements

### Note 8: Capital Lease Obligation (Continued)

The following is a schedule by years of future minimum payments required under the lease as of June 30, 2022:

<i>Years Ending June 30,</i>	2022
2023	\$ 186,612
2024	186,612
2025	186,612
2026	186,612
2027	186,612
Thereafter	1,803,935
<b>Total</b>	<b>\$ 2,736,995</b>

Interest is not reflected in the future maturities schedule as the rate is variable based on the College's cost of funds. See interest payments and rates for years ended 2022 and 2021, above.

The College donates services of approximately \$8,900 and \$8,700 per month for the years ended 2022 and 2021, respectively, for the use of utilities, custodial services and security services pursuant to the broadcasting facilities lease agreement.

### Note 9: Net Assets with Donor Restriction

Net assets with donor restrictions are restricted for the following purposes or periods.

<i>As of June 30,</i>	2022	2021
ARPA grant	\$ 677,420	\$ 677,420
Contributions receivable for general purposes	-	102,201
Grants	-	61,085
Underwriting	25,000	25,000
<b>Total</b>	<b>\$ 702,420</b>	<b>\$ 865,706</b>

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

<i>Years Ended June 30,</i>	2022	2021
Passage of time	\$ 102,201	\$ 34,421
Programming and general operations	86,085	25,000
<b>Total</b>	<b>\$ 188,286</b>	<b>\$ 59,421</b>

# South Texas Public Broadcasting System, Inc.

## Notes to Financial Statements

### Note 10: CPB Grants

Grant revenue from CPB consist of the following:

<i>Years Ended June 30,</i>	2022	2021
Annual Community Service Grants	\$ 955,286	\$ 924,060
ARPA grant	-	477,520
CARES grant	-	199,900
<b>Total</b>	<b>\$ 955,286</b>	<b>\$ 1,601,480</b>

### Note 11: Operating Leases

The Station leases broadcasting tower space to a nonaffiliated entity under a lease agreement. The terms of the agreement extend through December 2022 and provide the lessee the right to broadcast non-commercial radio programming. The lessee has the option to renew the lease agreement for four successive five-year periods. Subsequent to year end, the lease was renewed for an additional five-year term. Revenues from this lease were approximately \$36,000 and \$33,000 for the years ended 2022 and 2021, respectively.

Future minimum lease revenues, are as follows at June 30, 2022:

<i>Years Ending June 30,</i>	Amount
2023	\$ 37,043
2024	37,784
2025	38,540
2026	39,310
2026	13,190
<b>Total</b>	<b>\$ 165,867</b>

The Station also leases broadcast tower space for KVRT in Victoria from a nonaffiliated entity under a year-to-year lease agreement requiring monthly lease payments of \$600. Total rent expenses under this lease was approximately \$7,200 for each of the years ended 2022 and 2021.

### Note 12: Contributed Nonfinancial Assets

Contributed nonfinancial assets consist of the following:

<i>Years Ended June 30,</i>	2022	2021
Utilities, custodial services and security services	\$ 107,000	\$ 102,000
Professional services	12,800	9,000
Fundraising activities	5,864	14,571
<b>Total contributed nonfinancial assets</b>	<b>\$ 125,664</b>	<b>\$ 125,571</b>

# South Texas Public Broadcasting System, Inc.

## Notes to Financial Statements

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### **Note 12: Contributed Nonfinancial Assets** (Continued)

The contributed utilities, custodial services and security services are reported at the estimated share of operating costs related to the leased property.

Contributed services recognized comprise professional services are reported at the estimated fair value based on current rates for similar services.

It is the Station's policy to sell all contributed vehicles immediately upon receipt at auction or for salvage unless the vehicle is restricted for use in a specific program by the donor. All vehicles were sold and valued according to the actual cash proceeds on their disposition.

### **Note 13: Paycheck Protection Program**

At June 30, 2021, the Station had a refundable advance liability of \$181,035. This amount represents the receipt of an award from the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The Station has determined the award is a conditional grant and has applied the policy as described in Note 1. Accordingly, the award is reported as a refundable advance liability until the conditions are substantially met or explicitly waived.

The Station has interpreted the condition of the award to be the approval of the forgiveness application by the lender and SBA. In November 2021, the Station received notice the forgiveness application had been approved in full and the full amount of the award was recognized as revenue.

### **Note 14: Subsequent Event**

Management has evaluated subsequent events through January 5, 2023, the date of the independent auditor's report, the date the financial statements were available to be issued.

## South Texas Public Broadcasting System, Inc.

### Schedule of Revenue and Expenses by License Type

<i>Years Ended June 30,</i>	2022			2021		
	TV	FM	Total	TV	FM	Total
<b>Revenues:</b>						
CPB grants	\$ 826,578	\$ 128,708	\$ 955,286	\$ 1,276,501	\$ 324,979	\$ 1,601,480
Membership contributions	446,728	201,902	648,630	522,917	391,485	914,402
Auction	(1,600)	-	(1,600)	5,148	-	5,148
Special events	116,252	-	116,252	25,598	-	25,598
Program underwriting	95,548	169,097	264,645	77,845	132,226	210,071
Challenge	46,500	-	46,500	50,350	-	50,350
Trade-out and in-kind	76,344	49,320	125,664	77,670	47,901	125,571
Rent income	36,317	-	36,317	32,734	-	32,734
Miscellaneous income	17,850	-	17,850	11,433	-	11,433
PPP grant	126,724	54,311	181,035	156,184	66,936	223,120
Interest income	19,399	534	19,933	27,319	655	27,974
<b>Total revenue</b>	<b>1,806,640</b>	<b>603,872</b>	<b>2,410,512</b>	<b>2,263,699</b>	<b>964,182</b>	<b>3,227,881</b>
<b>Expenses</b>						
Programming and production	942,054	533,425	1,475,479	913,001	458,589	1,371,590
Broadcasting	241,334	44,450	285,784	253,426	46,856	300,282
Development and underwriting	322,899	129,110	452,009	291,250	135,635	426,885
Management and general	364,297	98,449	462,746	348,674	123,722	472,396
<b>Total expenses</b>	<b>1,870,584</b>	<b>805,434</b>	<b>2,676,018</b>	<b>1,806,351</b>	<b>764,802</b>	<b>2,571,153</b>
<b>Net change</b>	<b>\$ (63,944)</b>	<b>\$ (201,562)</b>	<b>\$ (265,506)</b>	<b>\$ 457,348</b>	<b>\$ 199,380</b>	<b>\$ 656,728</b>

See independent auditor's report.