

Friends of mvyradio, Inc.

(a nonprofit Massachusetts corporation)

Financial Statements

December 31, 2021 and 2020

Friends of mvyradio, Inc.

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Independent Auditor's Report

To the Board of Directors
Friends of myradio, Inc.
West Tisbury, Massachusetts

Opinion

We have audited the financial statements of Friends of myradio, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 accompanying financial statements present fairly, in all material respects, the financial position of Friends of myradio, Inc. as of December 31, 2021 and 2020, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends of myradio, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the 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 these 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 Friends of myradio, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report (continued)

Auditor's Responsibility 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 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 Friends of myradio, 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 Friends of myradio, 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.

Brock and Company, CPAs, P.C.

Certified Public Accountants

Longmont, Colorado
May 23, 2022

Friends of myradio, Inc.

Statements of Financial Position

December 31	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 838,003	\$ 1,057,045
Accounts receivable	54,484	30,127
Contributions receivable, current portion	333,773	252,323
Prepaid expenses	14,502	10,092
Total current assets	<u>1,240,762</u>	<u>1,349,587</u>
Property and Equipment, at cost	<u>4,149,833</u>	<u>3,075,450</u>
Other Assets		
Contributions receivable, net	66,327	54,717
Broadcast license	225,000	225,000
Total other assets	<u>291,327</u>	<u>279,717</u>
Total assets	<u>\$ 5,681,922</u>	<u>\$ 4,704,754</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 23,711	\$ 184,113
Accrued compensation and benefits	21,482	46,588
Deferred revenue	17,549	23,359
Current maturities of construction line of credit	26,769	28,019
Current maturities of line of credit, related party	-	500,000
Total current liabilities	<u>89,511</u>	<u>782,079</u>
Long-Term Liabilities		
Construction line of credit, net of current maturities	<u>958,228</u>	<u>437,322</u>
Total liabilities	<u>1,047,739</u>	<u>1,219,401</u>
Net Assets		
Without donor restrictions	4,197,869	3,103,328
With donor restrictions	436,314	382,025
Total net assets	<u>4,634,183</u>	<u>3,485,353</u>
Total liabilities and net assets	<u>\$ 5,681,922</u>	<u>\$ 4,704,754</u>

The accompanying Notes are an integral
part of these financial statements

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Friends of myradio, Inc.

Statement of Activities

Year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Support			
Contributions and memberships	\$ 654,540	\$ 344,353	\$ 998,893
Grants	566,061	15,288	581,349
Net assets released from restrictions	305,352	(305,352)	-
Total operating support	<u>1,525,953</u>	<u>54,289</u>	<u>1,580,242</u>
Revenue			
Underwriting fees	384,352	-	384,352
Other program revenue	8,638	-	8,638
Total operating revenue	<u>392,990</u>	<u>-</u>	<u>392,990</u>
Total operating support and revenue	<u>1,918,943</u>	<u>54,289</u>	<u>1,973,232</u>
Operating Expenses			
Program services			
Broadcasting and engineering	194,869	-	194,869
Programming	763,372	-	763,372
Supporting services			
General and administrative	239,735	-	239,735
Fundraising			
Underwriting and grant solicitation	237,667	-	237,667
Membership	146,951	-	146,951
Other fundraising	154,685	-	154,685
Total operating expenses	<u>1,737,279</u>	<u>-</u>	<u>1,737,279</u>
Total operating support and revenue in excess of operating expenses	<u>181,664</u>	<u>54,289</u>	<u>235,953</u>
Other Changes			
Capital campaign contributions	258,253	-	258,253
Forgiveness of debt	500,000	-	500,000
Paycheck Protection Program grant	155,080	-	155,080
Interest income	492	-	492
Loss on disposal of assets	(948)	-	(948)
Total other changes	<u>912,877</u>	<u>-</u>	<u>912,877</u>
Change in Net Assets	1,094,541	54,289	1,148,830
Net Assets, Beginning of Year	<u>3,103,328</u>	<u>382,025</u>	<u>3,485,353</u>
Net Assets, End of Year	<u>\$ 4,197,869</u>	<u>\$ 436,314</u>	<u>\$ 4,634,183</u>

The accompanying Notes are an integral
part of these financial statements

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Friends of myradio, Inc.

Statement of Activities

Year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Support			
Contributions and memberships	\$ 468,333	\$ 312,940	\$ 781,273
Grants	372,385	44,821	417,206
Net assets released from restrictions	144,254	(144,254)	-
Total operating support	<u>984,972</u>	<u>213,507</u>	<u>1,198,479</u>
Revenue			
Underwriting fees	244,635	-	244,635
Other program revenue	4,221	-	4,221
Total operating revenue	<u>248,856</u>	<u>-</u>	<u>248,856</u>
Total operating support and revenue	<u>1,233,828</u>	<u>213,507</u>	<u>1,447,335</u>
Operating Expenses			
Program services			
Broadcasting and engineering	145,193	-	145,193
Programming	524,692	-	524,692
Supporting services			
General and administrative	221,249	-	221,249
Fundraising			
Underwriting and grant solicitation	211,821	-	211,821
Membership	123,311	-	123,311
Other fundraising	129,242	-	129,242
Total operating expenses	<u>1,355,508</u>	<u>-</u>	<u>1,355,508</u>
Total operating support and revenue in excess (deficit) of operating expenses	<u>(121,680)</u>	<u>213,507</u>	<u>91,827</u>
Other Changes			
Capital campaign contributions	604,240	-	604,240
Forgiveness of debt	500,000	-	500,000
Paycheck Protection Program grant	150,042	-	150,042
Interest income	802	-	802
Total other changes	<u>1,255,084</u>	<u>-</u>	<u>1,255,084</u>
Change in Net Assets	1,133,404	213,507	1,346,911
Net Assets, Beginning of Year	<u>1,969,924</u>	<u>168,518</u>	<u>2,138,442</u>
Net Assets, End of Year	<u>\$ 3,103,328</u>	<u>\$ 382,025</u>	<u>\$ 3,485,353</u>

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part of these financial statements

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Friends of mvradio, Inc.

Statement of Functional Expenses

Year ended December 31, 2021

	Program Services			Supporting Services					
	Broadcasting and Engineering	Programming	Total	General and Administrative	Fundraising			Total	Total
					Underwriting and Grant Solicitation	Membership	Other		
Salaries and wages	\$ -	\$ 410,221	\$410,221	\$ 78,346	\$ 176,699	\$ 52,772	\$ 83,575	\$313,046	\$ 801,613
Employee benefits	-	87,098	87,098	16,335	19,547	14,827	11,215	45,589	149,022
Payroll taxes	-	38,484	38,484	7,344	16,331	4,873	7,962	29,166	74,994
Total personnel costs	-	535,803	535,803	102,025	212,577	72,472	102,752	387,801	1,025,629
Occupancy	61,143	41,259	102,402	8,306	594	-	-	594	111,302
Legal and professional	20,588	1,121	21,709	65,954	5,979	-	1,235	7,214	94,877
Marketing and membership	-	40,976	40,976	157	104	34,452	5,000	39,556	80,689
Depreciation	25,570	38,579	64,149	13,011	-	-	323	323	77,483
Radio equipment rental	44,327	-	44,327	-	-	-	-	-	44,327
Interest expense	-	15,319	15,319	25,137	-	-	-	-	40,456
Event expenses	-	-	-	-	-	-	39,041	39,041	39,041
Dues and subscriptions	1,148	31,999	33,147	577	4,035	-	850	4,885	38,609
Telephone and communications	30,161	2,516	32,677	1,594	3,196	426	330	3,952	38,223
Office expenses	3,089	19,055	22,144	2,018	933	2,113	4,275	7,321	31,483
Bank and credit card fees	40	-	40	20	1,895	26,458	200	28,553	28,613
Software	368	6,752	7,120	602	4,621	11,030	-	15,651	23,373
Travel and entertainment	3,010	15,999	19,009	-	3,126	-	679	3,805	22,814
Repairs and maintenance	3,209	10,110	13,319	5,250	-	-	-	-	18,569
Insurance	2,216	3,859	6,075	11,425	-	-	-	-	17,500
Miscellaneous expenses	-	25	25	3,659	607	-	-	607	4,291
Total operating expenses	\$ 194,869	\$ 763,372	\$958,241	\$ 239,735	\$ 237,667	\$146,951	\$154,685	\$539,303	\$1,737,279

The accompanying Notes are an integral part of these financial statements

Friends of mvradio, Inc.

Statement of Functional Expenses

Year ended December 31, 2020

	Program Services			Supporting Services					
	Broadcasting and Engineering	Programming	Total	General and Administrative	Fundraising			Total	Total
					Underwriting and Grant Solicitation	Membership	Other		
Salaries and wages	\$ -	\$ 345,617	\$345,617	\$ 82,911	\$ 155,505	\$ 40,234	\$ 90,874	\$286,613	\$ 715,141
Employee benefits	-	58,808	58,808	15,008	9,220	6,652	10,292	26,164	99,980
Payroll taxes	-	35,831	35,831	8,442	15,203	3,961	9,187	28,351	72,624
Total personnel costs	-	440,256	440,256	106,361	179,928	50,847	110,353	341,128	887,745
Legal and professional	18,028	391	18,419	63,257	4,754	60	-	4,814	86,490
Marketing and membership	-	14,335	14,335	202	3,201	33,080	9,133	45,414	59,951
Radio equipment rental	44,475	-	44,475	-	-	-	-	-	44,475
Telephone and communications	31,718	1,586	33,304	2,011	3,180	1,200	-	4,380	39,695
Dues and subscriptions	1,160	32,504	33,664	492	320	-	1,212	1,532	35,688
Interest expense	-	-	-	29,955	-	-	-	-	29,955
Software	349	6,063	6,412	702	3,723	18,053	548	22,324	29,438
Occupancy	22,419	2,490	24,909	1,655	896	-	-	896	27,460
Depreciation	19,047	6,121	25,168	-	-	-	389	389	25,557
Bank and credit card fees	2	-	2	225	808	19,146	3,505	23,459	23,686
Repairs and maintenance	5,401	4,900	10,301	5,530	-	-	518	518	16,349
Travel and entertainment	-	9,762	9,762	30	4,474	-	439	4,913	14,705
Insurance	1,879	-	1,879	9,910	-	-	-	-	11,789
Office expenses	715	6,284	6,999	569	1,087	925	2,145	4,157	11,725
Miscellaneous expenses	-	-	-	350	9,450	-	1,000	10,450	10,800
Total operating expenses	\$ 145,193	\$ 524,692	\$669,885	\$ 221,249	\$ 211,821	\$123,311	\$129,242	\$464,374	\$1,355,508

The accompanying Notes are an integral
part of these financial statements

Friends of myradio, Inc.

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ 1,148,830	\$ 1,346,911
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	77,483	25,557
Loss on disposal of equipment	948	-
Net present value allowance	(110)	3,783
Forgiveness of debt	(500,000)	(500,000)
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	(24,357)	2,514
Contributions receivable	(92,950)	(198,871)
Prepaid expenses	(4,410)	15,000
Accounts payable	(160,402)	150,981
Accrued compensation and benefits	(25,106)	22,666
Deferred revenue	(5,810)	(624)
Net cash provided by operating activities	<u>414,116</u>	<u>867,917</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(618,155)	(652,159)
Net cash used by investing activities	<u>(618,155)</u>	<u>(652,159)</u>
Cash Flows From Financing Activities		
Payments on construction line of credit	(15,003)	-
Borrowings on line of credit, related party	-	325,000
Net cash provided (used) by financing activities	<u>(15,003)</u>	<u>325,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(219,042)	540,758
Cash and Cash Equivalents, Beginning of Year	1,057,045	516,287
Cash and Cash Equivalents, End of Year	\$ 838,003	\$ 1,057,045
Supplemental Cash Flow Information		
Cash paid for interest	\$ 28,086	\$ -
Cash paid for interest and capitalized as construction in progress	\$ 12,370	\$ 2,889
Property and equipment acquired with construction line of credit	\$ 534,659	\$ 465,341

The accompanying Notes are an integral part of these financial statements

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Friends of mvyradio, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. Friends of mvyradio, Inc. (the Organization) is a Massachusetts non-profit corporation established in August 2013 to operate an internet streaming music service and a FM radio station on the island of Martha's Vineyard, Massachusetts. The Organization aspires to reflect Martha's Vineyard and the region in music, news, culture, and community. It embraces its local, regional and worldwide roots through its independent format, and uses contemporary media and community engagement to enrich the lives of its audience. Funding for the Organization is primarily obtained through charitable contributions, memberships and grants from interested parties, and underwriting fees.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated by receiving contributions that have no donor stipulations, providing services, and receiving interest and other income, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished.

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

Cash and Cash Equivalents. Cash consists of a checking and savings accounts held at financial institutions. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Accounts Receivable. Accounts receivable consist of amounts due from sponsors for underwriting programs or events that have occurred and are stated at the amount of consideration from customers, of which the Organization has an unconditional right to receive. At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the client. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. As of December 31, 2021 and 2020, management believes all accounts receivable are fully collectible, and accordingly, no allowance for doubtful accounts has been recorded.

Friends of mvyradio, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Contributions Receivable. Unconditional promises to give are recognized as revenue in the period received. Contributions receivable are recorded at the amount the Organization expects to receive, allowing for estimated uncollectible contributions. The allowance for uncollectible contributions is estimated based on management's review of specific contributions outstanding. As of December 31, 2021 and 2020, management believes all contributions receivable are fully collectible, and accordingly, no allowance for doubtful contributions has been recorded. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$1,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value on the date of gift. Such donations are reported as contributions without donor restriction unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which is generally forty years for buildings, four to ten years for radio and broadcast equipment, two to seven years for computer equipment, ten years for furniture and fixtures, and the remaining lease term for leasehold improvements.

Intangible Asset. The indefinite-lived intangible asset consists of a broadcast license. The broadcast license is not amortized, but is tested for impairment annually, or more frequently if circumstances indicate potential impairment, through a comparison of fair value to its carrying amount. The Organization utilizes an outside valuation firm to assist in determining fair value. The valuation of the broadcast license is an estimate that involves judgements about the validity of comparable sales. It is at least reasonably possible that such valuations will change in the near term and the change could be material. The broadcast license must be renewed periodically at minimal cost. Significant future cash flows associated with the broadcast license are affected by the Organization's ability or intent to renew the license. The costs incurred to renew the broadcast license will be expensed as incurred. The broadcast license is subject to renewal in April 2030.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended December 31, 2021 and 2020.

Revenue Recognition. The Organization earns revenue from contracts with customers through providing underwriting services, which primarily includes the marketing of corporate sponsors on air and on the Organization's website. The Organization's customers are primarily local businesses. The Organization's contracts typically include a single performance obligation to perform agreed upon services, which generally occur within a single fiscal year.

Underwriting fee revenue is recognized over time as the Organization's customers simultaneously receive and consume the benefits of the Organization's performance. The Organization typically provides underwriting services under fixed fee arrangements which are billed in advance of the service. Amounts that have been invoiced are recorded in either deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

Friends of mvyradio, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Revenue Recognition (continued). The Organization generally does not experience changes in the transaction price subsequent to the inception of its contracts.

Underwriting fee revenue recognized under contracts with customers for the years ended December 31, 2021 and 2020, was \$384,352 and \$244,635, respectively. The Organization had accounts receivable representing net billed amounts due on contracts with customers of \$54,484, \$30,127, and \$32,641 as of December 31, 2021 and 2020 and January 1, 2020, respectively. The Organization did not have any contract assets associated with underwriting fees as of December 31, 2021 and 2020, or as of January 1, 2020. The Organization typically collects fees in advance of services being provided, which are recorded as deferred revenue (contract liabilities) on the statements of financial position, and recorded as services are provided. Contract liabilities as of December 31, 2021 and 2020 totaled \$17,549 and \$23,359, respectively. Contract liabilities totaling \$23,983 as of January 1, 2020 were recognized as revenue in 2020. The outstanding contract liabilities as of December 31, 2020 were recognized as revenue in 2021 and the Organization expects to recognize the December 31, 2021 amounts as revenue in 2022.

Contributions, Memberships, and Grants. Contributions, memberships, and grants are recognized when the donation is received. Donor-restricted gifts are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets with donor restrictions even if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services and Materials. Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed materials are reported at fair market value on the date of gift.

Barter Transactions. The Organization barter sponsorship broadcasts for materials and services. Revenue from such transactions is recorded at the estimated fair market value of the material or service received. Revenue is recognized as the sponsorships are broadcast, and expenses are recognized when incurred. When materials or services are received prior to the sponsorship broadcast, the Organization records deferred revenue. When sponsorships are broadcast in advance of receiving the materials or services, the Organization records a receivable. Barter transactions totaled \$85,017 in 2021 and \$56,161 in 2020.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Functional Allocation of Expenses. The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Friends of myradio, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Reclassifications. Certain amounts from the financial statements for the year ended December 31, 2020 have been reclassified to conform to current year presentation, without affecting the change in net assets.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through May 23, 2022, the date at which the financial statements were available for release.

Note 2 - Liquidity and Availability

The Organization receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding 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. To achieve these guiding principles, the Organization forecasts its future cash flows and monitors its liquidity monthly. During the years ended December 31, 2021 and 2020, the level of liquidity and reserves was managed within the guiding principles. The Organization's financial assets available for general expenditures within one year are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 838,003	\$ 1,057,045
Accounts receivable	54,484	30,127
Contributions receivable, net	400,100	307,040
	<u>1,292,587</u>	<u>1,394,212</u>
Less amounts not available to be used within one year:		
Contributions receivable due beyond one year, net	(66,327)	(54,717)
	<u>\$ 1,226,260</u>	<u>\$ 1,339,495</u>

Note 3 – Contributions Receivable

Contributions receivable consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
One year or less	\$ 333,773	\$ 252,323
One to five years	70,000	58,500
	<u>403,773</u>	<u>310,823</u>
Less present value allowance	(3,673)	(3,783)
	<u>\$ 400,100</u>	<u>\$ 307,040</u>

Friends of myradio, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 3 – Contributions Receivable (continued)

Contributions receivable are measured in the aggregate using present value techniques that consider historical trends of collection similar to the fund raising activities, the type of donor, general economic conditions, and market interest rate assumptions. The present value discount rate used at December 31, 2021 and 2020 was 4.0%. The interest element resulting from amortization of the discount for the time value of money is reported as contribution revenue.

Note 4 – Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Land and building	<u>\$ 3,934,649</u>	\$ 1,798,959
Radio and broadcast equipment	<u>330,826</u>	174,136
Computer equipment	<u>54,536</u>	56,278
Furniture and fixtures	<u>21,286</u>	17,050
Leasehold improvements	<u>16,141</u>	16,141
Construction in progress	<u>12,178</u>	1,172,429
	<u>4,369,616</u>	3,234,993
Less accumulated amortization	<u>(219,783)</u>	(159,543)
Net property and equipment	<u>\$ 4,149,833</u>	<u>\$ 3,075,450</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$77,483 and \$25,557, respectively. Amortization of leasehold improvement is included in depreciation expense.

Note 5 – Lines of Credit, Related Party Transactions and Subsequent Event

The Organization has a \$1,000,000 construction line of credit agreement with The Cape Cod Five Cents Savings Bank for the renovation of the building. The agreement has outstanding borrowings of \$984,997 and \$465,341 at December 31, 2021 and 2020, respectively. Interest only payments were made through May 2021 and, upon completion of the draw period, monthly principal and interest payments of \$5,510 commenced in June 2021. The agreement bears interest at 3.99% for the first 60 months, thereafter, the interest rate will be adjusted every five years to the Boston Federal Home Loan and Bank 5 Year Rate plus 2.25%. The agreement is collateralized by a deed of trust and assignment of rents and matures in November 2039.

Scheduled maturities of the long-term debt are as follows at December 31, 2021:

<u>Year</u>	<u>Amount</u>
2022	\$ 26,769
2023	27,873
2024	28,916
2025	30,213
2026	31,458
Thereafter	839,768
	<u>\$ 984,997</u>

Friends of myradio, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 5 – Lines of Credit, Related Party Transactions and Subsequent Event (continued)

The Organization had a \$1,000,000 line of credit agreement with a member of the board of directors. The agreement with the related party had outstanding borrowings of \$500,000 at December 31, 2020. During each of the years ending December 31, 2021 and 2020, \$500,000 of the outstanding borrowings was forgiven by the related party. Interest expense forgiven by the related party totaled \$16,889 and \$29,955 in 2021 and 2020, respectively.

In March 2022, the Organization entered into a \$100,000 line of credit agreement with The Cape Cod Five Cents Savings Bank. The agreement bears interest at 1% over the Wall Street Journal Prime Rate with a floor rate of 4%. The agreement does not mature and is due on demand by the lender. The agreement is collateralized by generally all business assets.

Note 6 – Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years December 31, 2021 and 2020:

	Purpose Restrictions		Time	Total
	Broadcasting	Other	Restrictions	
Balance, January 1, 2020	\$ 44,321	\$ 12,245	\$ 111,952	\$ 168,518
Additions	44,821	5,900	307,040	357,761
Releases	(31,473)	(4,612)	(108,169)	(144,254)
Balance, December 31, 2020	57,669	13,533	310,823	382,025
Additions	15,288	2,760	341,593	359,641
Releases	(42,762)	(10,274)	(252,316)	(305,352)
Balance, December 31, 2021	<u>\$ 30,195</u>	<u>\$ 6,019</u>	<u>\$ 400,100</u>	<u>\$ 436,314</u>

Note 7 – Operating Leases and Related Party Transactions

The Organization leases facilities in Vineyard Haven, Massachusetts under a noncancelable operating lease. The lease requires monthly payments of \$1,750, and expires in April 2024. The lease can be extended for three additional five-year periods each. Rent expense under the lease totaled \$21,000 and \$15,750 for the years ended December 31, 2021 and 2020, respectively.

The Organization leases space on a radio tower under a noncancelable operating lease. The lease expires April 2024 and can be extended for three additional five-year periods each. The Organization also leases equipment under a month-to-month arrangement. Rent expense under all the equipment leases totaled \$44,327 and \$44,475 for the years ended December 31, 2021 and 2020, respectively.

Future annual minimum lease payments required under the noncancelable operating leases are as follows at December 31, 2021:

Year	Facilities	Equipment	Total
2022	\$ 21,000	\$ 20,951	\$ 41,951
2023	21,000	21,579	42,579
2024	7,000	5,434	12,434
	<u>\$ 49,000</u>	<u>\$ 47,964</u>	<u>\$ 96,964</u>

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Note 8 – Contributed Services and Materials

Contributed services and materials are as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Graphic design services	\$ 1,399	\$ -
Landscape services and other	923	1,030
	<u>\$ 2,322</u>	<u>\$ 1,030</u>

Note 9 – Paycheck Protection Program

The Organization received proceeds from the Paycheck Protection Program administered by the U.S. Small Business Administration of \$155,080 and \$150,042 in 2021 and 2020, respectively. Proceeds from the program were considered a government grant if at least 60% of the proceeds were spent on eligible payroll, with the remaining 40% on other narrowly specified expenses. As of December 31, 2021 and 2020, the Organization fulfilled the requirements of the program. Accordingly, the Organization recognized grant revenue of \$155,080 and \$150,042 in 2021 and 2020, respectively

Note 10 – Retirement Plan

The Organization maintains a 403(b) plan covering all employee who normally work at least 20 hours per week, are at least 21 years old, and have completed at least six months of service. The Organization provides a fully vested discretionary contribution to the plan. The Organization contributed \$15,379 and \$12,731 to the plan for the years ended December 31, 2021 and 2020, respectively.

Note 11 – Concentrations

Concentrations of Credit Risk. The Organization's primary customers are companies receiving sponsorship spots. The Organization performs ongoing credit evaluations of its customers and generally does not require collateral. The Organization provides reserves for credit losses, as necessary, based on a thorough review of all outstanding accounts. Such losses and yearly provisions have been within management's expectations.

Bank Deposits. The Organization routinely maintained cash balances in excess of federally insured limits during the years ended December 31, 2021 and 2020.

Major Donors. The Organization had two donors who comprised 31% of total revenues for the year ended December 31, 2021. Contributions receivable due from the donors totaled \$202,541 at December 31, 2021. The Organization had a single donor who comprised 19% of total revenues for the year ended December 31, 2020.

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Notes to Financial Statements

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Note 11 – Concentrations (continued)

Geographical Concentration. The Organization receives a substantial amount of their support from Martha's Vineyard, Massachusetts and the surrounding areas.

Note 12 – Risks and Uncertainty

In March 2020, the World Health Organization recognized the outbreak of Coronavirus Disease 2019 (COVID-19) as a global pandemic. The health care crisis has resulted in significant social and economic instability, which has subjected the Organization to risks and uncertainties, including potential work stoppages, service disruptions, restrictions on travel and the availability of its labor workforce. The pandemic has continued into 2022 and a reliable estimate of the potential future financial impacts of this uncertainty cannot be made at this time.

Note 13 – Upcoming Accounting Pronouncement

The Financial Accounting Standards Board issued Accounting Standard Update (ASU) No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending December 31, 2022 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is expected to have a significant effect on the Organization's financial statements as a result of the Organization's operating leases, as disclosed in Note 7, that will be reported on the statement of financial position at adoption. Upon adoption, the Organization will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.