

Friends of mvyradio, Inc.

(a nonprofit Massachusetts corporation)

Financial Statements

December 31, 2022 and 2021

Friends of myradio, Inc.

Table of Contents

Independent Auditor's Report	Pages 1-2
Statements of Financial Position December 31, 2022 and 2021	Page 3
Statement of Activities Year ended December 31, 2022	Page 4
Statement of Activities Year ended December 31, 2021	Page 5
Statement of Functional Expenses Year ended December 31, 2022	Page 6
Statement of Functional Expenses Year ended December 31, 2021	Page 7
Statements of Cash Flows Years ended December 31, 2022 and 2021	Page 8
Notes to Financial Statements	Pages 9-20

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Friends of myradio, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2022, Friends of myradio, Inc. adopted Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

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.

Independent Auditor's Report (continued)

Responsibilities of Management for the Financial Statements (continued)

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 mvyradio, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 mvyradio, 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 mvyradio, 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 10, 2023

Page 2

Friends of myradio, Inc.

Statements of Financial Position

December 31	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 533,080	\$ 838,003
Investments, at fair value	176,000	-
Accounts receivable	73,181	54,484
Contributions receivable, current portion	150,588	333,773
Prepaid expenses	17,544	14,502
Total current assets	<u>950,393</u>	<u>1,240,762</u>
Property and Equipment, at cost	<u>4,055,333</u>	<u>4,149,833</u>
Other Assets		
Contributions receivable, net	21,460	66,327
Right-of-use operating lease assets	577,012	-
Broadcast license	225,000	225,000
Total other assets	<u>823,472</u>	<u>291,327</u>
Total assets	<u>\$ 5,829,198</u>	<u>\$ 5,681,922</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 69,907	\$ 23,711
Accrued compensation and benefits	33,477	21,482
Deferred revenue	8,100	17,549
Current maturities of operating lease obligations	26,313	-
Current maturities of construction line of credit	49,109	26,769
Total current liabilities	<u>186,906</u>	<u>89,511</u>
Long-Term Liabilities		
Operating lease obligations, net of current maturities	556,536	-
Construction line of credit, net of current maturities	393,837	958,228
Total long-term liabilities	<u>950,373</u>	<u>958,228</u>
Total liabilities	<u>1,137,279</u>	<u>1,047,739</u>
Net Assets		
Without donor restrictions	4,478,509	4,197,869
With donor restrictions	213,410	436,314
Total net assets	<u>4,691,919</u>	<u>4,634,183</u>
Total liabilities and net assets	<u>\$ 5,829,198</u>	<u>\$ 5,681,922</u>

The accompanying Notes are an integral part of these financial statements

Page 3

Friends of myradio, Inc.

Statement of Activities

Year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support and Revenue			
Support			
Contributions and memberships	\$ 1,038,334	\$ 96,248	\$ 1,134,582
Grants	334,064	53,897	387,961
Special event revenue, net	21,029	-	21,029
Net assets released from restrictions	373,049	(373,049)	-
Total operating support	<u>1,766,476</u>	<u>(222,904)</u>	<u>1,543,572</u>
Revenue			
Underwriting fees	469,979	-	469,979
Concerts and public events	22,751	-	22,751
Other program revenue	13,254	-	13,254
Total operating revenue	<u>505,984</u>	<u>-</u>	<u>505,984</u>
Total operating support and revenue	<u>2,272,460</u>	<u>(222,904)</u>	<u>2,049,556</u>
Operating Expenses			
Program services			
Broadcasting and engineering	211,361	-	211,361
Programming	923,099	-	923,099
Supporting services			
General and administrative	296,554	-	296,554
Fundraising			
Underwriting and grant solicitation	246,964	-	246,964
Membership	177,418	-	177,418
Other fundraising	159,831	-	159,831
Total operating expenses	<u>2,015,227</u>	<u>-</u>	<u>2,015,227</u>
Total operating support and revenue in excess (deficit) of operating expenses	<u>257,233</u>	<u>(222,904)</u>	<u>34,329</u>
Other Changes			
Capital campaign contributions	23,283	-	23,283
Interest income	124	-	124
Total other changes	<u>23,407</u>	<u>-</u>	<u>23,407</u>
Change in Net Assets	280,640	(222,904)	57,736
Net Assets, Beginning of Year	<u>4,197,869</u>	<u>436,314</u>	<u>4,634,183</u>
Net Assets, End of Year	<u>\$ 4,478,509</u>	<u>\$ 213,410</u>	<u>\$ 4,691,919</u>

The accompanying Notes are an integral
part of these financial statements

Page 4

Friends of myradio, Inc.

Statement of Activities

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
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	6,556	-	6,556
Concerts and public events	2,082	-	2,082
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

Page 5

Friends of mvradio, Inc.

Statement of Functional Expenses

Year ended December 31, 2022

	Program Services			Supporting Services					
	Broadcasting and Engineering	Programming	Total	General and Administrative	Fundraising			Total	Total
					Underwriting and Grant Solicitation	Membership	Other		
Salaries and wages	\$ -	\$ 489,957	\$ 489,957	\$ 96,756	\$ 183,617	\$ 71,908	\$ 92,148	\$347,673	\$ 934,386
Employee benefits	-	85,033	85,033	14,976	17,432	14,965	11,488	43,885	143,894
Payroll taxes	-	44,682	44,682	8,994	14,257	6,741	8,435	29,433	83,109
Total personnel costs	-	619,672	619,672	120,726	215,306	93,614	112,071	420,991	1,161,389
Depreciation	29,987	111,726	141,713	48,038	-	-	53	53	189,804
Legal and professional	18,463	-	18,463	85,477	12,913	-	-	12,913	116,853
Marketing and membership	-	58,355	58,355	3,658	351	42,168	2,361	44,880	106,893
Occupancy	73,054	936	73,990	343	-	-	-	-	74,333
Radio equipment rental	51,914	-	51,914	-	-	-	-	-	51,914
Event expenses	-	-	-	-	-	-	41,829	41,829	41,829
Repairs and maintenance	613	26,057	26,670	13,736	-	-	-	-	40,406
Dues and subscriptions	1,159	32,336	33,495	574	4,295	-	1,088	5,383	39,452
Telephone and communications	30,225	3,569	33,794	1,341	3,757	-	486	4,243	39,378
Travel and entertainment	60	30,597	30,657	639	1,844	60	109	2,013	33,309
Bank and credit card fees	-	2	2	6	1,757	27,606	305	29,668	29,676
Insurance	5,530	6,836	12,366	12,867	-	-	-	-	25,233
Software	-	8,448	8,448	555	4,752	10,655	-	15,407	24,410
Interest expense	-	15,647	15,647	8,425	-	-	-	-	24,072
Office expenses	98	8,918	9,016	166	1,989	3,315	1,489	6,793	15,975
Miscellaneous expenses	258	-	258	3	-	-	40	40	301
Total operating expenses	\$ 211,361	\$ 923,099	\$1,134,460	\$ 296,554	\$ 246,964	\$177,418	\$159,831	\$584,213	\$2,015,227

The accompanying Notes are an integral part of these financial statements

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 myradio, Inc.

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 57,736	\$ 1,148,830
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	189,804	77,483
Amortization of right-of-use operating lease asset	27,600	-
Loss on disposal of equipment	-	948
Net present value allowance	(2,633)	(110)
Forgiveness of debt	-	(500,000)
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	(18,697)	(24,357)
Contributions receivable	230,685	(92,950)
Prepaid expenses	(3,042)	(4,410)
Accounts payable	46,196	(160,402)
Accrued compensation and benefits	11,995	(25,106)
Deferred revenue	(9,449)	(5,810)
Operating lease obligations	(21,763)	-
Net cash provided by operating activities	<u>508,432</u>	<u>414,116</u>
Cash Flows From Investing Activities		
Purchases of investments	(176,000)	-
Purchases of property and equipment	(95,304)	(618,155)
Net cash used by investing activities	<u>(271,304)</u>	<u>(618,155)</u>
Cash Flows From Financing Activities		
Payments on construction line of credit	(542,051)	(15,003)
Net cash used by financing activities	<u>(542,051)</u>	<u>(15,003)</u>
Net Decrease in Cash and Cash Equivalents	(304,923)	(219,042)
Cash and Cash Equivalents, Beginning of Year	838,003	1,057,045
Cash and Cash Equivalents, End of Year	\$ 533,080	\$ 838,003
Supplemental Cash Flow Information		
Cash paid for interest	\$ 24,072	\$ 28,086
Cash paid for interest and capitalized as construction in progress	\$ -	\$ 12,370
Property and equipment acquired with construction line of credit	\$ -	\$ 534,659

The accompanying Notes are an integral
part of these financial statements

Page 8

Friends of mvyradio, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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.

Change in Accounting Principle. On January 1, 2022, the Organization adopted FASB ASU No. 2016-02, *Leases (Topic 842)*, which provides guidance on the accounting for leases that superseded previous guidance. Topic 842 requires lessees to recognize leases on the statement of financial position for all leases, including operating leases which were not previously recorded as assets and liabilities, and to disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases are now classified as financing, formerly capital, or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities. The Organization adopted ASU 2016-02 under the modified retrospective approach, applying the amendments only to prospective reporting periods. In performing its analysis, the Organization reflected the aggregate effect of all modifications when identifying the lease obligations and ROU assets. The change in accounting method would not have had a material effect on the change in net assets for the year ended December 31, 2021, or on net assets as of December 31, 2021.

Friends of mvyradio, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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

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.

Investments. The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians.

Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements. The Organization reports using fair value measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides 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). The three levels of the fair value hierarchy are described below:

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

- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Friends of mvyradio, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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

Fair Value Measurements (continued). The Organization values certificates of deposit at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. Early withdrawal charges may apply in the event the instruments are liquidated prior to their scheduled maturity date.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodology used as of December 31, 2022 and 2021.

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, 2022 and 2021, management believes all accounts receivable are fully collectible, and accordingly, no allowance for doubtful accounts has been recorded.

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, 2022 and 2021, 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.

Leases and Right-of-Use Assets. Commencing January 1, 2022, the Organization recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments.

Friends of myradio, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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

Leases and Right-of-Use Assets (continued). Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable, or otherwise, the Organization uses its incremental borrowing rate based on the information available at the commencement date for all leases. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus or minus any prepaid or accrued lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Right-of-use assets under operating leases are recorded in other assets in the accompanying statement of financial position. The Organization has elected to exclude leases of 12 months or less from right-of-use asset recognition. Amortization of right-of-use assets for operating leases is included in rent expense.

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, 2022 and 2021.

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.

Friends of mvyradio, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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

Revenue Recognition (continued). Amounts that have been invoiced are recorded in either deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. 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, 2022 and 2021, was \$469,979 and \$384,532, respectively. The Organization had accounts receivable representing net billed amounts due on contracts with customers of \$73,181, \$54,484, and \$30,127 as of December 31, 2022 and 2021 and January 1, 2021, respectively. The Organization did not have any contract assets associated with underwriting fees as of December 31, 2022 and 2021, or as of January 1, 2021. 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, 2022 and 2021, and January 1, 2021 totaled \$8,100, \$17,549 and \$23,359, respectively. Contract liabilities are generally recognized as revenue during the following year.

Revenue from event ticket sales is recognized when the related event takes place, which satisfies the Organization's performance obligation. Any amounts received prior to the event is recorded as a contract liability. The Organization did not have any accounts receivable, contract assets, or contract liabilities associated with revenue from event ticket sales as of December 31, 2022 and 2021, or as of January 1, 2021.

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 \$123,763 in 2022 and \$85,017 in 2021.

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.

Friends of myradio, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

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

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.

Reclassifications. Certain amounts from the financial statements for the year ended December 31, 2021 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 10, 2023, the date at which the financial statements were available for release.

Note 2 – Adoption of Accounting Pronouncement

The Organization adopted Topic 842 on January 1, 2022 using the modified retrospective approach and recorded increases to opening right-of-use assets and operating lease liabilities of \$589,655. The adoption changed the recognition of lease obligations and right-of-use assets. The adoption did not change net assets. The Organization elected certain practical expedients allowed under ASC 842 and, accordingly, did not reassess whether any expired or existing contracts are or include leases, or the lease classification of any expired or existing leases, and initial direct costs for any existing leases.

The cumulative effects of the changes made to the statement of financial position as of January 1, 2022 for the adoption of Topic 842 were as follows:

	Balance at December 31, 2021	Adjustments Due to ASC 842	Balance at January 1, 2022
Assets			
Right-of-use operating lease assets	\$ -	\$ 589,655	\$ 589,655
Liabilities			
Operating lease obligations	\$ -	\$ 589,655	\$ 589,655
Net assets	\$ 4,634,183	\$ -	\$ 4,634,183

Note 3 – 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.

Friends of myradio, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 3 – Liquidity and Availability (continued)

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, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 533,080	\$ 838,003
Accounts receivable	73,181	54,484
Contributions receivable, net	<u>172,048</u>	<u>400,100</u>
	<u>778,309</u>	<u>1,292,587</u>
Less amounts not available to be used within one year:		
Contributions receivable due beyond one year, net	<u>(21,460)</u>	<u>(66,327)</u>
	<u>\$ 756,849</u>	<u>\$ 1,226,260</u>

Additionally, the Organization has a committed line of credit with \$250,000 available at December 31, 2022 which is available if needed.

Note 4 – Fair Value Measurements

The Organization's investments, at fair value, as of December 31, 2022 consist of \$176,000 in certificates of deposit. The assets are classified as level 2 within the fair value hierarchy. The Organization did not hold investments as of December 31, 2021.

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. There were no significant transfers in or out of fair value levels during the years ended December 31, 2022 and 2021.

Investment income consisted of \$124 in interest for the year ended December 31, 2022.

Friends of myradio, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 5 – Contributions Receivable

Contributions receivable consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
One year or less	\$ 150,588	\$ 333,773
One to five years	22,500	70,000
	<u>173,088</u>	<u>403,773</u>
Less present value allowance	(1,040)	(3,673)
	<u>\$ 172,048</u>	<u>\$ 400,100</u>

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, 2022 and 2021 was 4.0%. The interest element resulting from amortization of the discount for the time value of money is reported as contribution revenue.

Note 6 – Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land and building	\$ 3,988,985	\$ 3,934,649
Radio and broadcast equipment	345,337	330,826
Computer equipment	56,506	54,536
Furniture and fixtures	35,613	21,286
Leasehold improvements	16,141	16,141
Construction in progress	17,403	12,178
	<u>4,459,985</u>	<u>4,369,616</u>
Less accumulated amortization	(404,652)	(219,783)
Net property and equipment	<u>\$ 4,055,333</u>	<u>\$ 4,149,833</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$189,804 and \$77,483, respectively. Amortization of leasehold improvement is included in depreciation expense.

Note 7 – Leases

The Organization leases a radio tower under a noncancelable operating lease. The lease expires in April 2039 as optional extension terms are expected to be exercised. The lease also includes rent escalation terms of 3% annually. The operating lease obligations and related right-of-use asset as of December 31, 2022 totaled \$318,430 and \$312,460, respectively.

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 2039 as optional extension terms are expected to be exercised.

Friends of mvyradio, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 7 – Leases (continued)

The operating lease obligations and related right-of-use asset as of December 31, 2022 totaled \$252,380.

The Organization leases a vehicle under a noncancelable operating lease. The lease requires monthly payments of \$515 and expires in December 2024. The operating lease obligations and related right-of-use asset as of December 31, 2022 totaled \$12,039 and \$12,172, respectively.

Operating lease costs consist of the following for the year ended December 31, 2022:

	Amount
Amortization of right-of-use assets	\$ 27,600
Interest on lease liability	24,405
	<u>\$ 52,005</u>

Rent expense on the leased facilities and space on the radio tower for the year ended December 31, 2021, prior to the implementation of ASC 842, totaled \$41,327.

Cash paid for amounts included in the measurement of operating lease liabilities totaled \$45,042 for the year ended December 31, 2022. Right-of-use assets obtained in exchange for operating lease liabilities totaled \$14,957 for the year ended December 31, 2022.

The weighted average of the remaining lease terms and discount rates are as follows at December 31, 2022:

Remaining lease term, operating leases	16.04 years
Discount rate, operating leases	3.97%

The discount rate for the operating leases is estimated based on the Organization's incremental borrowing rate at the commencement of the lease.

Scheduled maturities of operating lease liabilities are as follows at December 31, 2022:

Year	Facilities	Equipment	Total
2023	\$ 21,000	\$ 27,762	\$ 48,762
2024	21,000	28,410	49,410
2025	21,000	22,894	43,894
2026	21,000	23,580	44,580
2027	21,000	24,288	45,288
Thereafter	238,000	328,873	566,873
	<u>343,000</u>	<u>455,807</u>	<u>798,807</u>
Less imputed interest	(90,620)	(125,338)	(215,958)
	<u>\$ 252,380</u>	<u>\$ 330,469</u>	<u>\$ 582,849</u>

The Organization leases equipment under a short term operating lease. Rent expense totaled \$24,000 for each of the years ended December 31, 2022 and 2021.

Friends of myradio, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 8 – Lines of Credit and Related Party Transactions

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 \$442,946 and \$984,997 at December 31, 2022 and 2021, 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, 2022:

Year	Amount
2023	\$ 49,109
2024	51,089
2025	53,238
2026	55,433
2027	57,717
Thereafter	176,360
	<u>\$ 442,946</u>

The Organization has a \$250,000 line of credit agreement with The Cape Cod Five Cents Savings Bank with no outstanding borrowings at December 31, 2022. 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.

The Organization had a line of credit agreement with a member of the board of directors. During the year ending December 31, 2021, \$500,000 in outstanding borrowings was forgiven by the related party. Interest expense forgiven by the related party totaled \$16,889 in 2021.

Note 9 – Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years December 31, 2022 and 2021:

	Purpose Restrictions		Time	Total
	Broadcasting	Other	Restrictions	
Balance, January 1, 2021	\$ 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	30,195	6,019	400,100	436,314
Additions	53,897	4,200	92,048	150,145
Releases	(46,195)	(6,754)	(320,100)	(373,049)
Balance, December 31, 2022	<u>\$ 37,897</u>	<u>\$ 3,465</u>	<u>\$ 172,048</u>	<u>\$ 213,410</u>

Friends of mvyradio, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 10 – Special Events

The Organization derived net revenue from the following special fundraising events during the year ended December 31, 2022:

	Beach Road Weekend	Other	Total
Contributions	\$ 50,500	\$ 14,937	\$ 65,437
Registrations and sales	12,700	14,445	27,145
	63,200	29,382	92,582
Direct costs	(50,500)	(21,053)	(71,553)
Net revenue	\$ 12,700	\$ 8,329	\$ 21,029

The Organization did not host any special fundraising events during the year ended December 31, 2021.

Note 11 – Paycheck Protection Program

The Organization received proceeds from the Paycheck Protection Program administered by the U.S. Small Business Administration of \$155,080 in 2021. 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, the Organization fulfilled the requirements of the program. Accordingly, the Organization recognized grant revenue of \$155,080 in 2021.

Note 12 – 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 \$17,237 and \$15,379 to the plan for the years ended December 31, 2022 and 2021, respectively.

Note 13 – 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, 2022 and 2021.

Friends of mvyradio, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Note 13 – Concentrations (continued)

Major Donors. The Organization had a single donor who comprised 10% of total revenues for the year ended December 31, 2022. Contributions receivable due from the donors totaled \$62,703 at December 31, 2022. 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.

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