MARS HILL BROADCASTING CO., INC.

Financial Statements

May 31, 2021 and 2020

Fust Charles Chambers LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Mars Hill Broadcasting Co., Inc.:

We have audited the accompanying financial statements of Mars Hill Broadcasting Co., Inc. (a nonprofit organization), which comprise the statements of financial position as of May 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.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

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

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

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

(Continued)

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mars Hill Broadcasting Co., Inc. as of May 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.

Fust Charles Chambers LLP

September 29, 2021

MARS HILL BROADCASTING CO., INC.

Statements of Financial Position

May 31, 2021 and 2020

Assets		2021	2020
Current assets:			
Cash	$	302,195	257,337
Accounts receivable		36,701	42,981
Contributions receivable, net		34,143	48,856
Prepaid expenses		36,093	31,451
Total current assets		409,132	380,625
Broadcasting facilities and equipment, net		528,122	494,361
Federal Communications Commission frequency rights, net		785,603	785,603
		1,313,725	1,279,964
Other assets:			
Assets limited as to use, net		92,417	60,121
Lease deposit		1,350	1,350
		93,767	61,471
Total assets	$	1,816,624	1,722,060
Liabilities and Net Assets			
Current liabilities:			
Accounts payable		6,474	22,722
Accrued expenses		17,110	11,317
Unearned revenue		14,624	11,853
Total current liabilities		38,208	45,892
Net assets-			
Without donor restrictions		1,778,416	1,676,168
Commitments and uncertainties (notes 3 and 10)			
Total liabilities and net assets	$	1,816,624	1,722,060

See accompanying notes to financial statements.

MARS HILL BROADCASTING CO., INC.

Statements of Activities

Years ended May 31, 2021 and 2020

	2021	2020
Support and revenue:		
Contributions	$ 540,715	599,768
Broadcasting	361,366	360,642
Underwriting	185,361	125,865
Tower rental	66,190	65,010
Concerts, banquets and other	1,183	17,116
Total support and revenue	1,154,815	1,168,401
Expenses:		
Program	650,217	659,811
Management and general	398,975	358,273
Fundraising	3,375	7,278
Total expenses	1,052,567	1,025,362
Change in net assets	102,248	143,039
Net assets at beginning of year	1,676,168	1,533,129
Net assets at end of year	$ 1,778,416	1,676,168

See accompanying notes to financial statements.

MARS HILL BROADCASTING CO., INC.

Statements of Functional Expenses

Years ended May 31, 2021 and 2020

	2021				2020			
	Program	Management and general	Fundraising	Total	Program	Management and general	Fundraising	Total
Expenses:								
Payroll and related expenses	$ 288,187	305,263	1,692	595,142	294,240	265,948	5,658	565,846
Public relations	26,805	24,702	1,051	52,558	25,324	23,338	993	49,655
Engineering	106,349	-	-	106,349	103,059	-	-	103,059
Programming	80,724	-	-	80,724	80,823	-	-	80,823
Depreciation and amortization	37,585	3,716	-	41,301	48,525	4,798	-	53,323
Bad debts	830	-	-	830	221	-	-	221
General overhead	17,162	8,818	188	26,168	16,548	8,503	181	25,232
Rent	6,410	3,451	-	9,861	6,665	3,588	-	10,253
Utilities	20,796	11,197	-	31,993	18,174	9,786	-	27,960
Repairs and maintenance	9,812	5,283	-	15,095	11,797	6,352	-	18,149
Insurance	22,857	12,307	-	35,164	19,992	10,765	-	30,757
Telephone	12,884	11,646	248	24,778	13,036	11,783	251	25,070
Taxes	40	-	-	40	40	-	-	40
Office expenses	5,068	4,673	196	9,937	4,978	4,588	195	9,761
Dues	14,708	7,919	-	22,627	16,389	8,824	-	25,213
Total expenses	$ 650,217	398,975	3,375	1,052,567	659,811	358,273	7,278	1,025,362

See accompanying notes to financial statements.

MARS HILL BROADCASTING CO., INC.

Statements of Cash Flows

Years ended May 31, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	102,248	143,039
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		41,301	53,323
Changes in operating assets and liabilities:			
Accounts receivable		6,280	8,982
Contributions receivable, net		13,883	(3,667)
Provision for doubtful accounts		830	733
Prepaid expenses		(4,642)	785
Accounts payable		(16,248)	4,736
Accrued expenses		5,793	603
Unearned revenue		2,771	3,282
Net cash provided by operating activities		152,216	211,816
Cash flows used in investing activities:			
Purchase of Federal Communications Commission frequency rights		-	(543,261)
Purchase of equipment		(75,062)	(87,687)
Cash used in investing activities		(75,062)	(630,948)
Net increase (decrease) in cash and restricted cash		77,154	(419,132)
Cash and restricted cash at beginning of year		317,458	736,590
Cash and restricted cash at end of year	$	394,612	317,458
Cash and restricted cash are classified in the statements of financial position as follows:			
Cash	$	302,195	257,337
Assets limited as to use, net		92,417	60,121
Total cash and restricted cash	$	394,612	317,458
Supplemental disclosures:			
Taxes paid, cash basis	$	40	40

See accompanying notes to financial statements.

(1) Organization

Mars Hill Broadcasting Co., Inc. (the "Organization") operates non-commercial educational radio stations engaged in Christian programming. The Organization's purpose is to communicate the Gospel of Jesus Christ and Biblical doctrines and to promote personal involvement in Christian service. The Organization's primary sources of funding are paid programming by national broadcasters and contributions by individuals in New York State.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and present net assets and revenues, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes in net assets are as follows:

Net assets without donor restrictions are available for general use and not subject to donor-imposed restrictions. These net assets may be used at the discretion of the Organization's management and board of directors and may be subject to self-imposed limits by action of the governing board.

Net assets with donor restrictions are those that are subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature and are limited by donors to a specific time period or purpose. Other donor restrictions may be perpetual in nature, as stipulated by the donor.

At May 31, 2021 and 2020, the Organization did not have any net assets with donor restrictions.

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(2) Summary of Significant Accounting Policies, Continued

(b) Revenue Recognition

The Organization enters into contracts with its customers to provide specific services. A contract exists once the Organization receives and accepts an agreement that is enforceable with a customer that defines each party's rights regarding the services to be performed and identifies the payment terms related to these services, the contract has commercial substance and the Organization determines that collection of substantially all consideration for the sale is probable based on the customer's intent and ability to pay the promised consideration. The Organization's payment terms are generally 30 days.

The Organization recognizes revenue as performance obligations under contracts are satisfied. Performance obligations in a contract are identified based on the services that will be performed for the customer. As contracts contain a single performance obligation (performance of services) the transaction price is allocated to that single performance obligation.

The transaction price is determined based on the consideration to which the Organization will be entitled in exchange for performing the services to the customer, and is stated on the approved agreement. The transaction price is generally a fixed fee.

The Organization recognizes revenue from the sale of broadcasting as performance obligations are satisfied, which generally occurs at the point in time the related programs are broadcast. The length of the Organization's broadcasting contracts vary but are typically on an annual basis.

The Organization recognizes revenue from the sale of underwriting as performance obligations are satisfied, which generally occurs at the point in time the acknowledgements are transmitted. The length of the Organization's underwriting contracts vary but are typically between three months to one year.

Tower rental represents a series of recurring services that the Organization performs over the contract term whereby the Organization provides access to its tower infrastructure, including space or transmitting capacity. Contract terms are generally limited to an annual basis and are subject to customer cancellation. Tower rental revenue is recognized over time as the customer simultaneously receives and consumes the tower rental services on a straight-line basis.

Revenue from services performed for customers at a point in time was $547,910 and $503,623 in 2021 and 2020, respectively. Revenue from services performed for customers over time was $66,190 and $65,010 in 2021 and 2020, respectively.

(2) Summary of Significant Accounting Policies, Continued

(b) Revenue Recognition, Continued

The Organization receives advances (deposits) from customers on contracts that exceed revenue earned to date, resulting in contract liabilities, consisting primarily of payments received from underwriting sponsors which have not yet been earned under the terms of the agreement. Contract liabilities typically are not considered a significant financing component because they are used to meet working capital demands that can be higher in the early stages of a contract and they protect the Organization from the customer failing to adequately complete some or all of its obligations under the contract. Contract liabilities are reported on the statements of financial position on a net contract basis at the end of each reporting period. Contract liabilities, classified as unearned revenue, were $14,624 and $11,853 at May 31, 2021 and 2020, respectively.

(c) Accounts Receivable and Allowance for Doubtful Accounts

The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

(d) Contributions

The Organization accounts for contributions as support without donor restrictions or support with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are recognized as revenues when the restrictions, if any, are substantially met. Unconditional pledges are recognized at their estimated net present value, net of an allowance for uncollectible amounts. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Contributions receivable are donations expected to be collected in fiscal 2022. These receivables are unsecured. The Organization accounts for its contributions receivable at the pledge amount, adjusted for doubtful accounts. The Organization estimates its allowance for doubtful accounts and bad debts based on management's assessment of the collectability of receivables and prior experience. If accounts become uncollectible, they will be charged to operations when that determination is made.

(2) Summary of Significant Accounting Policies, Continued

(e) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(f) Concentrations

The Organization maintains their cash accounts with a financial institution. The accounts at this institution are insured by the Federal Deposit Insurance Corporation. While the Organization attempts to limit any financial exposure, their deposit balances may, at times, exceed federal insured limits.

(g) Broadcasting Facilities and Equipment

Acquisitions of fixed assets in excess of $1,000 and all expenditures for repairs, maintenance, renewal and betterments that materially prolong the useful lives of assets are considered for capitalization. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Depreciation expense for the years ended May 31, 2021 and 2020 was $41,301 and $53,323, respectively.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment loss has been recorded by the Organization for the years ended May 31, 2021 and 2020.

(h) Income Taxes

The Organization is a not-for-profit organization and has been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. It has been determined that the Organization is not a private foundation. As of May 31, 2021 and 2020, the Organization did not have any unrecognized tax benefits or any related accrued interest or penalties. The tax years open to examination by federal and New York State taxing authorities are May 31, 2018 through May 31, 2021.

(i) Functional Expenses

Costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. This allocation was based on direct expenditures and analysis of personnel time, space and utilities for the related activities.

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(2) Summary of Significant Accounting Policies, Continued

(j) Federal Communications Commission (FCC) Frequency Rights

FCC frequency rights are recorded at cost. FCC frequency rights are accounted for as indefinite-lived intangible assets. Intangible assets with indefinite lives are not amortized; rather, they are evaluated for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable. The Organization does not anticipate any difficulties in renewing the FCC frequency rights, which expire in June 2022. The Organization expenses costs to renew or extend the FCC frequency rights when incurred.

(k) Contributed Services and Materials

The Organization recognizes donated services if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Organization utilizes volunteers during its annual fundraising campaign, and some individuals have donated significant amounts of time to the Organization. Donated services are recorded at the estimated fair value as an asset or expense and corresponding contribution in the financial statements. Donated services were $450 for the years ended May 31, 2021 and 2020.

Donated materials are recorded at their estimated fair value as an asset or expense and a corresponding contribution in the financial statements. There were no donated materials for the years ended May 31, 2021 and 2020.

(l) Advertising

The Organization expenses advertising costs when incurred.

(m) Assets Limited as to Use

Assets limited as to use consists of cash the Organization has set aside for capital and expansion purposes. The board of directors authorizes the use of the funds.

(n) Reclassifications

Certain prior year amounts have been reclassified to be consistent with the current year presentation.

(o) Subsequent Events

Management has evaluated subsequent events through September 29, 2021, the date on which the financial statements were available to be issued.

(3) Coronavirus Pandemic

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity. Although the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Organization's results of future operations, financial position and liquidity.

(4) Liquidity and Availability of Financial Assets

As of May 31, financial assets available within one year for general expenditure, such as operating expenses, are as follows:

		2021	2020
Cash	$	394,612	257,337
Accounts receivable		36,701	42,981
Contributions receivable, net		34,143	48,856
Total	$	465,456	349,174

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

(5) Assets Limited as to Use

The activity for the year ended May 31 is summarized as follows:

		2021		
		Capital	Expansion	Total
Beginning balance	$	829	59,292	60,121
Contributions		5,331	26,965	32,296
Ending balance	$	6,160	86,257	92,417

(5) Assets Limited as to Use, Continued

		2020		
		Capital	Expansion	Total
Beginning balance	$	24,099	41,851	65,950
Contributions		6,397	23,896	30,293
Amounts expended		(29,667)	(6,455)	(36,122)
Ending balance	$	829	59,292	60,121

There were no amounts expended during the year ended May 31, 2021.

(6) Contributions Receivable

Contributions receivable represent unconditional promises to give by donors. The Organization expects these promises to give to be collected during the next year and has reported them at their net realizable value. Contributions receivable consisted of the following at May 31:

		2021	2020
Contributions receivable	$	42,679	61,070
Allowance for doubtful accounts		(8,536)	(12,214)
Contributions receivable, net	$	34,143	48,856

(7) Broadcasting Facilities and Equipment

Broadcasting facilities and equipment consisted of the following at May 31:

		2021	2020
Land	$	57,621	57,621
Buildings		493,672	481,117
Furnishings and equipment		1,678,217	1,670,113
Leasehold improvements		5,890	5,890
Construction in progress		54,403	-
		2,289,803	2,214,741
Accumulated depreciation		(1,761,681)	(1,720,380)
Broadcasting facilities and equipment, net	$	528,122	494,361

(8) FCC Frequency Rights

FCC frequency rights consisted of the following at both May 31, 2021 and 2020:

Albany (WMHH)	$	543,261
Syracuse (WMHR)		168,723
Cape Vincent (WMHI)		24,863
Malone (WMHQ)		10,626
Utica (WMHU)		28,147
Richfield Springs (WMHY)		9,983
	$	785,603

(9) Asset Acquisition

On July 23, 2019, the Organization closed on the purchase of FCC frequency rights and equipment in Albany, New York (WMHH) from DJRA Broadcasting, LLC. The purchase price was approximately $600,000 and was funded with approximately $500,000 from Organization operations and approximately $100,000 from a private supporter. The primary reason for the acquisition was to expand into the capital district of New York.

Amounts recognized for each major class of asset acquired were as follows:

FCC frequency rights	$	543,261
Equipment		56,633

In addition, the Organization assumed a noncancellable operating lease agreement for tower antennae space (note 10).

(10) Lease Commitments

The Organization leases satellite transponder capacity at an annual rate of $17,340 under a noncancellable operating lease agreement that expires March 31, 2024. Rental expense on the lease for satellite capacity was $17,340 for the years ended May 31, 2021 and 2020.

The Organization leases tower antenna space in Riverhead, New York at a base annual rate of $13,852, increasing automatically by 4% annually, under a noncancellable operating lease agreement that expires in October 2024 and provides for three year renewal options. Rental expense on the lease for tower space was $14,406 and $13,852 for the years ended May 31, 2021 and 2020, respectively.

The Organization leases tower antenna space in Jordanville, New York at an annual rate of $2,565 under a noncancellable operating lease agreement that expires November 21, 2022. Rental expense on the lease for tower space was $2,565 for the years ended May 31, 2021 and 2020.

(10) Lease Commitments, Continued

The Organization leases tower antenna space in Saranac Lake, New York at an annual rate of $6,000 under a noncancellable operating lease agreement that expires June 30, 2026. The agreement provides for a five-year renewal option whereby the annual rate increases 3% each renewal term. Rental expense on the lease for tower space was $6,000 for the years ended May 31, 2021 and 2020.

The Organization leases tower antenna space in Norwich, New York at an annual rate of $600 under a noncancellable operating lease agreement that expires November 1, 2021. The agreement provides for a three-year renewal option that the Organization plans to exercise. Rental expense on the lease for tower space was $600 for the years ended May 31, 2021 and 2020.

The Organization leases tower antenna space in Gouverneur, New York at an annual rate of $1,800 under a noncancellable operating lease agreement that expires July 31, 2024. The agreement provides for a three-year renewal option. Rental expense on the lease for tower space was $1,800 for the years ended May 31, 2021 and 2020.

The Organization leases tower antenna space in Rochester, New York at an annual rate of $3,000 under a noncancellable operating lease agreement that expires September 4, 2024. Rental expense on the lease for tower space was $3,000 and $2,925 for the years ended May 31, 2021 and 2020, respectively.

The Organization leases tower antenna space in Albany, New York at a base annual rate of $32,054 under a noncancellable operating lease agreement that expires October 1, 2021. The agreement provides for annual one year renewal options that the Organization exercised for fiscal 2022. Rental expense on the lease for tower space was $32,054 and $21,369 for the years ended May 31, 2021 and 2020, respectively.

Future minimum lease obligations under these agreements for the years ended May 31, are:

2022	$ 75,652
2023	74,936
2024	31,492
2025	7,050
2026	6,000
	$ 195,130