MARS HILL BROADCASTING CO., INC.

Financial Statements

May 31, 2025 and 2024

FustCharles

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2025 and 2024, 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 financial statements referred to above present fairly, in all material respects, the financial position of Mars Hill Broadcasting Co., Inc. as of May 31, 2025 and 2024, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mars Hill Broadcasting Co., Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit 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 the 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 Mars Hill Broadcasting Co., Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 Mars Hill Broadcasting Co., 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mars Hill Broadcasting Co., 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.

FustCharles LLP

November 4, 2025

MARS HILL BROADCASTING CO., INC.

Statements of Financial Position

May 31, 2025 and 2024

Assets		2025	2024
Current assets:			
Cash	$	125,226	234,476
Accounts receivable		52,209	57,322
Contributions receivable, net		69,451	27,214
Investments		1,112	-
Prepaid expenses		44,018	52,951
Total current assets		292,016	371,963
Broadcasting facilities and equipment, net		565,932	560,642
Operating lease right-of-use assets, net		136,756	129,724
Federal Communications Commission frequency rights		785,603	785,603
		1,488,291	1,475,969
Other assets:			
Assets limited as to use, net		380,748	405,549
Lease deposit		1,350	1,350
		382,098	406,899
Total assets	$	2,162,405	2,254,831
Liabilities and Net Assets			
Current liabilities:			
Accounts payable		14,671	27,561
Accrued expenses		26,970	23,153
Current portion of operating lease obligations		27,655	24,649
Unearned revenue		3,900	10,978
Total current liabilities		73,196	86,341
Operating lease obligations, net of current portion		107,991	105,945
Total liabilities		181,187	192,286
Net assets -			
Without donor restrictions		1,981,218	2,062,545
Total liabilities and net assets	$	2,162,405	2,254,831

See accompanying notes to financial statements.

MARS HILL BROADCASTING CO., INC.

Statements of Activities

Years ended May 31, 2025 and 2024

		2025	2024
Support and revenue:			
Contributions	$	537,229	605,838
Broadcasting		387,672	380,883
Underwriting		154,118	145,045
Tower rental		74,806	73,099
Concerts, banquets and other		38,394	37,043
Total support and revenue		1,192,219	1,241,908
Expenses:			
Program		789,256	755,962
Management and general		471,385	462,493
Fundraising		12,905	10,043
Total expenses		1,273,546	1,228,498
Change in net assets		(81,327)	13,410
Net assets at beginning of year		2,062,545	2,049,135
Net assets at end of year	$	1,981,218	2,062,545

See accompanying notes to financial statements.

MARS HILL BROADCASTING CO., INC.

Statements of Functional Expenses

Years ended May 31, 2025 and 2024

	2025				2024			
	Program	Management and general	Fundraising	Total	Program	Management and general	Fundraising	Total
Expenses:								
Payroll and related expenses	$ 349,170	363,568	963	713,701	349,355	363,760	964	714,079
Public relations	25,627	12,998	11,622	50,247	19,334	9,806	8,769	37,909
Engineering	131,296	-	-	131,296	124,932	-	-	124,932
Programming	61,054	-	-	61,054	65,916	-	-	65,916
Depreciation and amortization	44,562	4,255	-	48,817	48,024	4,585	-	52,609
Bad debt	17,694	-	-	17,694	1,249	-	-	1,249
General overhead	35,984	18,537	-	54,521	33,328	17,812	-	51,140
Rent	6,146	3,307	-	9,453	6,162	3,315	-	9,477
Utilities	34,935	18,812	-	53,747	28,434	15,311	-	43,745
Repairs and maintenance	8,843	4,771	-	13,614	7,479	4,037	-	11,516
Insurance	30,804	16,587	-	47,391	29,059	15,647	-	44,706
Telephone	12,390	11,199	239	23,828	12,383	11,192	238	23,813
Taxes	66	-	-	66	40	-	-	40
Office expenses	2,163	1,993	81	4,237	1,909	1,759	72	3,740
Dues and professional fees	28,522	15,358	-	43,880	28,358	15,269	-	43,627
Total expenses	$ 789,256	471,385	12,905	1,273,546	755,962	462,493	10,043	1,228,498

See accompanying notes to financial statements.

MARS HILL BROADCASTING CO., INC.

Statements of Cash Flows

Years ended May 31, 2025 and 2024

		2025	2024
Cash flows from operating activities:			
Change in net assets	$	(81,327)	13,410
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization		48,817	52,609
Non-cash lease expense (benefit)		(1,980)	616
Provision for doubtful accounts		17,684	1,249
Change in unrealized gain on investments		(68)	-
Changes in operating assets and liabilities:			
Accounts receivable		5,113	(12,184)
Contributions receivable, net		(59,921)	(6,167)
Prepaid expenses		8,933	(9,864)
Accounts payable		(12,890)	(1,680)
Accrued expenses		3,817	7,555
Unearned revenue		(7,078)	(424)
Net cash provided by (used in) operating activities		(78,900)	45,120
Cash flows from investing activities:			
Purchase of equipment		(54,107)	(76,826)
Purchase of investments		(1,044)	-
Net cash used in investing activities		(55,151)	(76,826)
Net decrease in cash and restricted cash		(134,051)	(31,706)
Cash and restricted cash at beginning of year		640,025	671,731
Cash and restricted cash at end of year	$	505,974	640,025
Cash and restricted cash are classified in the statements of financial position as follows:			
Cash	$	125,226	234,476
Assets limited as to use, net		380,748	405,549
Total cash and restricted cash	$	505,974	640,025
Supplemental disclosures:			
Taxes paid, cash basis	$	66	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, 2025 and 2024, the Organization did not have any net assets with donor restrictions.

(b) 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.

(c) Assets Limited as to Use

Assets limited as to use consists of cash the Organization has designated for operational, capital and expansion purposes. The Board of Directors authorizes the use of the funds.

(Continued)

(2) Summary of Significant Accounting Policies, Continued

(d) Investments

The Organization carries investments in marketable securities with readily determinable fair values, and all debt securities, at their fair values in the statements of financial position. Realized and unrealized gains and losses are included as a component of the change in net assets without donor restrictions unless the income or loss is restricted by law or donor.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statements of financial position and the statements of activities.

(e) 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.

(2) Summary of Significant Accounting Policies, Continued

(e) Revenue Recognition, Continued

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 $580,184 and $562,971 in 2025 and 2024, respectively. Revenue from services performed for customers over time was $74,806 and $73,099 in 2025 and 2024, respectively.

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 $3,900 and $10,978 at May 31, 2025 and 2024, respectively.

(f) Accounts Receivable and Allowance for Credit Losses

The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for credit losses has been recorded at May 31, 2025 and 2024. If amounts become uncollectible, they will be charged to operations when that determination is made. Accounts receivable and contract liabilities were $45,138 and $11,402 respectively at June 1, 2023.

(g) 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.

(2) Summary of Significant Accounting Policies, Continued

(g) Contributions, Continued

Contributions receivable are donations expected to be collected in fiscal 2025. 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.

(h) 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.

(i) 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, 2025 and 2024 was $48,817 and $52,609, 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, 2025 and 2024.

(j) Leases

The Organization evaluates whether a contract is or contains a lease at the inception of the contract. Lease agreements are evaluated to determine whether they are operating or finance leases in accordance with Accounting Standards Codification (ASC) 842, Leases. Upon lease commencement, the Organization classifies the lease as either an operating or finance lease. As a practical expedient, the Organization has made an accounting policy election for all asset classes not to separate lease components from nonlease components in the event that the agreement contains both.

(2) Summary of Significant Accounting Policies, Continued

(j) Leases, Continued

For both operating and finance leases, the Organization recognizes a right-of-use asset and lease liability at lease commencement. A right-of-use asset represents the Organization right to use an underlying asset for the lease term while the lease liability represents an obligation to make lease payments arising from a lease which are measured on a discounted basis. Lease liabilities are classified as current and/or long-term, as applicable. The Organization elects not to apply the requirements to short-term leases (i.e., a lease term of 12 months or less at the commencement date). Lease payments are charged to profit or loss on a straight-line basis over the period of the lease as a practical expedient.

Lease liabilities are measured at the present value of the remaining, fixed lease payments at lease commencement. For lease agreements that do not specify an implicit rate, the Organization uses the estimated collateralized borrowing rate which coincides with the lease term at the commencement of a lease, in determining the present value of its remaining lease payments. The lease liability is subsequently increased by the amount of interest expense recognized on the lease liability and reduced by the lease payments made. Lease liabilities are remeasured when the future lease payments are changed due to the following:

- Changes in amounts expected to be payable by the lessee under residual value guarantees
- Changes in the assessment of whether a purchase option or an option to renew is reasonably certain to be exercised, or
- Changes in the assessment of whether it is reasonably certain that an option to terminate the lease will not be exercised.

Right-of-use assets are measured at an amount equal to the initial lease liability, plus any prepaid lease payments (less any incentives received) and initial direct costs, at the lease commencement date.

For leases classified as operating leases, rent expense is recognized on a straight-line basis over the lease term. Operating lease right-of-use assets and liabilities are subsequently measured based on the present value of lease payments over the remaining lease term. The straight-line rent expense is reflective of the interest expense on the lease liability using the effective interest method and the amortization of the right-of-use asset. For leases classified as finance leases, interest expense on the lease liability is recognized using the effective interest method. There are no finance leases as of May 31, 2025 and 2024. Amortization expense related to the right-of-use asset is recognized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

(2) Summary of Significant Accounting Policies, Continued

(j) Leases, Continued

The Organization has various operating leases for tower antenna space and satellite transponder capacity with noncancellable terms expiring at various dates through 2031. The leases may have one or more renewal options, with terms to be determined at the time of renewal. The exercise of such lease renewal options is at the sole discretion of the Organization.

(k) Advertising

The Organization expenses advertising costs when incurred.

(l) 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, 2025 and 2024, 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 for the years ending May 31, 2022 through May 31, 2025.

(m) 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.

(n) 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 2030. The Organization expenses costs to renew or extend the FCC frequency rights when incurred.

(Continued)

(2) Summary of Significant Accounting Policies, Continued

(o) Contributed Nonfinancial Assets

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. Donated services are recorded at the estimated fair value as an expense and corresponding contribution in the financial statements. Donated services for the years ended May 31, 2025 and 2024 were $550 and $639, respectively.

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, 2025 and 2024.

(p) Subsequent Events

Management has evaluated subsequent events through November 4, 2025, the date on which the financial statements were available to be issued.

(3) 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:

		2025	2024
Cash	$	125,226	234,476
Accounts receivable		52,209	57,322
Contributions receivable, net		69,451	27,214
Investments		1,112	-
Total	$	247,998	319,012

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.

(4) Assets Limited as to Use

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

	2025			
	Operations	Capital	Expansion	Total
Beginning balance	$ 141,013	6,949	257,587	405,549
Contributions	-	1,591	56,040	57,631
Amounts expended	(82,432)	-	-	(82,432)
Ending balance	$ 58,581	8,540	313,627	380,748

	2024			
	Operations	Capital	Expansion	Total
Beginning balance	$ 200,000	1,146	266,590	467,736
Contributions	-	5,803	90,997	96,800
Amounts expended	(58,987)	-	(100,000)	(158,987)
Ending balance	$ 141,013	6,949	257,587	405,549

(5) Investments

Investments consist of the following at May 31, 2025:

	Market value
Mutual funds:	
Fixed income	$ 581
Equities	414
Other	117
	$ 1,112

(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:

	2025	2024
Contributions receivable	$ 86,813	34,018
Allowance for doubtful accounts	(17,362)	(6,804)
Contributions receivable, net	$ 69,451	27,214

(Continued)

(7) Broadcasting Facilities and Equipment

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

		2025	2024
Land	$	57,621	57,621
Buildings		586,481	575,431
Furnishings and equipment		1,869,141	1,826,083
Leasehold improvements		5,890	5,890
		2,519,133	2,465,025
Accumulated depreciation		(1,953,201)	(1,904,383)
Broadcasting facilities and equipment, net	$	565,932	560,642

(8) FCC Frequency Rights

FCC frequency rights consisted of the following at both May 31, 2025 and 2024:

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) Leases

The table below presents certain information related to the lease costs for operating leases, included in engineering expenses on the statements of activities and functional expenses, for the years ended May 31:

		2025	2024
Operating lease expense	$	29,384	57,361
Short-term lease expense		73,600	39,413

(9) Leases, Continued

Operating lease right-of-use assets and lease liabilities as of May 31, were as follows:

	2025	2024
Right-of-use assets:		
Operating lease assets	$ 136,756	129,724
Lease liabilities:		
Current portion of operating lease liabilities	27,655	24,649
Operating lease liabilities, net of current portion	107,991	105,945
Total operating lease liabilities	$ 135,646	130,594

The weighted average remaining lease term and discount rate for leases were as follows as of or for the years ended May 31:

	2025	2024
Weighted average remaining lease term (years):		
Operating leases	6.09	5.90
Weighted average discount rate:		
Operating leases	3.69%	3.50%

Cash paid for amounts included in the measurement of lease liabilities for the years ended May 31 are as follows:

	2025	2024
Operating cash flows for operating leases	$ 27,362	62,448

Right-of-use assets obtained in exchange for new lease obligations for the years ended May 31, are as follows:

	2025	2024
Operating leases	$ 29,171	43,355

(9) Leases, Continued

As of May 31, 2025, future minimum lease payments under operating leases are as follows:

		Operating
2026	$	32,112
2027		27,394
2028		25,144
2029		18,336
2030		15,010
Thereafter		33,096
Total minimum lease payments		151,092
Less imputed interest		(15,446)
Total lease liabilities	$	135,646