

Rural California Broadcasting Corporation

Financial Statements and
Supplementary Information

Years Ended September 30, 2023 and 2022



WIPFLI

Independent Auditor's Report

Board of Directors
Rural California Broadcasting Corporation
Rohnert Park, California

Opinion

We have audited the accompanying financial statements of Rural California Broadcasting Corporation (the "Station"), a nonprofit organization, which comprise the statements of financial position as of September 30, 2023 and 2022, 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 referred to above present fairly, in all material respects, the financial position of Rural California Broadcasting Corporation as of September 30, 2023 and 2022, 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 ("GAAP").

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 Rural California Broadcasting Corporation 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.

Emphasis of Matter

Correction of Error

As discussed in Note 14 to the financial statements, certain error resulting in the understatement of depreciation expense for assets related to a lease as previously reported. Accordingly, amounts reported have been restated in the 2022 financial statement to correct the error. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural California Broadcasting Corporation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rural California Broadcasting Corporation'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 Rural California Broadcasting Corporation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP
South Portland, Maine
April 11, 2024

Rural California Broadcasting Corporation

Statements of Financial Position

<i>As of September 30,</i>	2023	2022 (Restated)
ASSETS		
Cash	\$ 734,721	\$ 1,261,008
Accounts receivable	183,031	94,771
Grant receivable - FCC Repack	54,262	82,857
Prepaid expenses and other	165,862	103,349
Investments	49,499,017	50,751,340
Broadcast licenses	12,757,454	13,093,177
Property and equipment	14,188,564	9,029,621
Right of use - asset - operating leases	3,938,571	-
Total assets	\$ 81,521,482	\$ 74,416,123
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 316,808	\$ 197,311
Accrued expenses	55,349	68,996
Accrued salary and benefits	247,921	231,366
Deferred revenue	73,357	79,423
Lease obligation - operating leases	3,953,092	-
Total liabilities	4,646,527	577,096
Net assets		
Without donor restrictions	76,869,526	73,831,377
With donor restrictions	5,429	7,650
Total net assets	76,874,955	73,839,027
Total liabilities and net assets	\$ 81,521,482	\$ 74,416,123

See accompanying notes to financial statements.

Rural California Broadcasting Corporation

Statement of Activities

<i>Year Ended September 30, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Revenue			
CPB grants	\$ 510,884	\$ -	\$ 510,884
Government grants	271,611	-	271,611
Other grants	129,650	29,850	159,500
Underwriting	179,267	-	179,267
Membership contributions	1,107,057	-	1,107,057
Donated goods and services	217,663	-	217,663
Auction and other fundraising	111,989	-	111,989
Rental income	624,242	-	624,242
Services revenue	383,125	-	383,125
Other revenue	77,589	-	77,589
Investment income utilized for operations	2,350,000	-	2,350,000
Net assets released from restrictions	32,071	(32,071)	-
Total revenue	5,995,148	(2,221)	5,992,927
Expenses			
Program services			
Programming and production	2,335,025	-	2,335,025
Broadcasting	2,721,847	-	2,721,847
Program information and promotion	439,909	-	439,909
Total program services	5,496,781	-	5,496,781
Management and general	1,206,894	-	1,206,894
Auction and membership development	611,401	-	611,401
Underwriting and grant development	143,616	-	143,616
Total expenses	7,458,692	-	7,458,692
Change in net assets from operations	(1,463,544)	(2,221)	(1,465,765)
Non-operating activities			
FCC repack income	655,069	-	655,069
Loss on disposal of asset	(23,161)	-	(23,161)
Investment income	6,219,785	-	6,219,785
Investment income utilized for operations	(2,350,000)	-	(2,350,000)
Change in net assets - non-operating	4,501,693	-	4,501,693
Change in net assets	3,038,149	(2,221)	3,035,928
Net assets, beginning of year	73,831,377	7,650	73,839,027
Net assets, end of year	\$ 76,869,526	\$ 5,429	\$ 76,874,955

See accompanying notes to financial statements.

Rural California Broadcasting Corporation

Statement of Activities

<i>Year Ended September 30, 2022 (Restated)</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
CPB grants	\$ 490,068	\$ -	\$ 490,068
Other grants	11,500	-	11,500
Underwriting	138,043	-	138,043
Membership contributions	1,571,208	35,775	1,606,983
Donated goods and services	137,045	-	137,045
Auction and other fundraising	70,131	-	70,131
Rental income	560,306	-	560,306
Services revenue	394,269	-	394,269
Other revenue	52,317	-	52,317
Investment income utilized for operations	2,750,000	-	2,750,000
Net assets released from restrictions	63,125	(63,125)	-
Total revenue	6,238,012	(27,350)	6,210,662
Expenses			
Program services			
Programming and production	2,381,530	-	2,381,530
Broadcasting	2,497,465	-	2,497,465
Program information and production	324,676	-	324,676
Total program services	5,203,671	-	5,203,671
Management and general	1,177,537	-	1,177,537
Auction and membership development	569,832	-	569,832
Underwriting and grant development	151,449	-	151,449
Total expenses	7,102,489	-	7,102,489
Change in net assets from operations	(864,477)	(27,350)	(891,827)
Non-operating activities			
FCC repack income	728,220	-	728,220
Investment income	(9,735,507)	-	(9,735,507)
Investment income utilized for operations	(2,750,000)	-	(2,750,000)
Change in net assets - non-operating	(11,757,287)	-	(11,757,287)
Change in net assets	(12,621,764)	(27,350)	(12,649,114)
Net assets, beginning of year (as restated)	86,453,141	35,000	86,488,141
Net assets, end of year	\$ 73,831,377	\$ 7,650	\$ 73,839,027

See accompanying notes to financial statements.

Rural California Broadcasting Corporation

Statement of Functional Expenses

<i>Year Ended September 30, 2023</i>	Programming and Production	Broadcasting	Public Relations	Management and General	Auction and Membership	Underwriting	Total Expenses
Salaries	\$ 888,627	\$ 532,290	\$ 161,166	\$ 487,041	\$ 266,803	\$ 112,999	\$ 2,448,926
Benefits	100,787	60,372	18,279	55,240	30,261	12,816	277,755
Payroll taxes	66,002	39,535	11,970	36,174	19,816	8,393	181,890
Professional services	113,047	36,124	46,467	227,207	41,312	-	464,157
Program acquisition	94,721	362,715	-	-	-	-	457,436
Rent	1,100	679,988	-	9,244	-	-	690,332
Technology	-	90,791	4,444	50,362	529	-	146,126
Utilities	-	193,859	-	82,416	-	-	276,275
Depreciation and amortization	982,163	672,978	9,727	24,651	4,273	986	1,694,778
Advertising and promotion	-	-	159,691	10,103	123,217	7,072	300,083
Dues, fees and subscriptions	23,649	50	14,359	35,531	47,940	-	121,529
Equipment rental and maintenance	1,013	47,973	-	34,135	-	-	83,121
Insurance	-	-	-	90,659	-	-	90,659
Travel, education and training	19,376	832	1,609	32,144	9,129	1,350	64,440
Postage and freight	49	283	542	319	43,824	-	45,017
Printing and supplies	10,612	4,057	4,980	31,668	24,297	-	75,614
Production costs	33,879	-	-	-	-	-	33,879
Other expenses	-	-	6,675	-	-	-	6,675
Total	\$ 2,335,025	\$ 2,721,847	\$ 439,909	\$ 1,206,894	\$ 611,401	\$ 143,616	\$ 7,458,692

See accompanying notes to financial statements.

Rural California Broadcasting Corporation

Statement of Functional Expenses

<i>Year Ended September 30, 2022(Restated)</i>	Programming and Production	Broadcasting	Public Relations	Management and General	Auction and Membership	Underwriting	Total Expenses
Salaries	\$ 804,608	\$ 612,910	\$ 123,393	\$ 475,031	\$ 273,543	\$ 120,519	\$ 2,410,004
Benefits	112,002	67,014	13,499	51,758	29,918	13,182	287,373
Payroll taxes	44,536	51,837	10,462	40,114	23,187	10,216	180,352
Professional services	40,957	110,375	30,659	202,153	9,137	-	393,281
Program acquisition	423,067	68,855	-	-	-	-	491,922
Rent	1,878	629,619	-	4,262	-	-	635,759
Technology	2,105	85,896	-	57,228	-	-	145,229
Utilities	-	196,113	-	77,040	-	-	273,153
Depreciation and amortization	875,892	600,130	1,050	40,756	4,549	1,050	1,523,427
Advertising and promotion	451	4,641	136,027	14,233	124,881	-	280,233
Dues, fees and subscriptions	21,969	570	6,703	37,471	42,508	-	109,221
Equipment rental and maintenance	246	60,632	-	32,404	-	-	93,282
Insurance	-	-	-	87,371	-	-	87,371
Travel, education and training	9,399	2,059	137	24,462	3,422	-	39,479
Postage and freight	224	11	437	486	30,360	560	32,078
Printing and supplies	8,148	6,803	2,309	32,768	28,327	13	78,368
Production costs	34,711	-	-	-	-	-	34,711
Bad debts	-	-	-	-	-	5,909	5,909
Other expenses	1,337	-	-	-	-	-	1,337
Total	\$ 2,381,530	\$ 2,497,465	\$ 324,676	\$ 1,177,537	\$ 569,832	\$ 151,449	\$ 7,102,489

See accompanying notes to financial statements.

Rural California Broadcasting Corporation

Statements of Cash Flows

Year ended September 30,	2023	2022 (Restated)
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 3,035,928	\$ (12,649,114)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	1,694,778	1,523,427
Non cash lease expense	14,521	-
Loss on disposition of property and equipment	23,161	-
Investment (gains) losses	(4,946,505)	10,318,215
Bad debt expense		5,909
Changes in operating assets and liabilities:		
Accounts receivable	(88,260)	(3,304)
Grants receivable	28,595	562,154
Contributions receivable		47,313
Prepaid expenses and other	(62,513)	79,056
Accounts payable	119,497	(389,947)
Accrued expenses	(13,647)	(74,033)
Accrued salaries and benefits	16,555	18,398
Deferred revenues	(6,066)	51,423
Net cash flows from operating activities	(183,956)	(510,503)
Cash flows from investing activities:		
Proceeds from the sale of investments	4,593,549	3,647,336
Purchase of investments	1,605,279	(1,489,040)
Purchase of property and equipment	(6,541,159)	(1,490,198)
Net cash flows from investing activities	(342,331)	668,098
Net changes in cash and cash equivalents	(526,287)	157,595
Cash and cash equivalents, beginning of year	1,261,008	1,103,413
Cash and cash equivalents, end of year	\$ 734,721	\$ 1,261,008

See accompanying notes to financial statements.

Rural California Broadcasting Corporation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Activities

Rural California Broadcasting Corporation (the Station), a not-for-profit organization, corporation, was organized in 1981 for the purpose of operating non-commercial telecommunications services to the San Francisco Bay Area. The region includes, all or part of Sonoma, Marin, Napa, Solano, Contra Costa, Mendocino, San Francisco, San Mateo, Alameda, and Santa Clara counties in California. The Station operates public television stations KRCB TV and KPJK TV, as well as public radio stations KRCB FM and KRCG FM.

Basis of Accounting

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

Net Assets

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

- **Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- **Net assets with donor restrictions:** Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restriction expires within the same reporting period in which the contribution is received. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue, support, and expenses during the reporting period. Actual results could differ from those estimates. The Station considers the valuation and impairment testing of the broadcast licenses to be significant estimates that are subject to change in the near term.

Cash and Cash Equivalents

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

Rural California Broadcasting Corporation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

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

Contributions and Grants Receivable

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

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

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

Investments

Investments in marketable securities with readily determined fair values and all investments in debt securities are recorded at their fair values in the statement of financial position. Quoted market prices in active markets are used as the basis of measurement. Investment income or loss and unrealized gains or losses are included in the statements of activities as increases or decreases in net assets without donor restrictions unless restricted by donor or law.

Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation).

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Rural California Broadcasting Corporation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Board Designated Endowment

Investment Objective

The board-designated endowment is intended to support the Station in perpetuity. Further the quasi-endowment is expected "to optimize total return through a diversified investment strategy.

Spending Policy

The Station determines its available spending utilizing the three-year average investment returns taken at the end of the previous twelve quarters. Based on that value, the the Station's Investment Committee will recommend an annual distribution from the quasi-endowment ("Spending Rate") between 0% and 5% of the quasi-endowment asset value to the Station's board of directors.

Other factors considered when determining the spending rate are the expectation of perpetual support of the quasi-endowment fund, general economic conditions, the possible effect of inflation or deflation, the expected total return from income and the appreciation of investments, other resources of the institution.

Property and Equipment

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

Broadcast Licenses

Broadcast licenses represent the cost of Federal Communications Commission licenses acquired. Broadcast licenses are subject to periodic renewal at minimal cost. The Station expects these licenses to be renewed. Broadcast licenses are being amortized over an estimated useful life of forty years. Management tests, in aggregate, the broadcast licenses annually for any impairment. There were no impairments of broadcast licenses for the years ended 2023 and 2022.

Revenue and Revenue Recognition

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

Rural California Broadcasting Corporation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Grant Revenue

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

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

Contribution Revenue

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

- An explicit barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

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

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

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

Rural California Broadcasting Corporation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contribution Revenue (Continued)

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

Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Station reports gifts of equipment, professional services, materials and other nonmonetary contributions as support in the accompanying statement of activities.

Deferred Revenue

Income from advance rental and other services payments and the unearned portions of service revenue is deferred and recognized over the period to which the fees relate. Deferred revenue was \$79,423, \$73,357 and \$28,000 as of September 30, 2023 and 2022 and October 1, 2021, respectively.

Functional Allocation of Expenses

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

Advertising Costs

The Station expenses advertising and promotion costs as incurred. Advertising and promotion expense totaled \$300,083 and \$280,233 for the years ended 2023 and 2022, respectively.

Income Tax Status

The Station is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, though it is subject to tax on income unrelated to its exempt purpose. Accordingly, no provision or liability for income taxes has been included in the financial statements. Management does not believe there are any uncertain tax positions as of September 30, 2023 and 2022.

Rural California Broadcasting Corporation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The Station reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Station has not recognized any impairment of long lived assets during 2023 and 2022.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

ASC 842 Lease Accounting

The Station is a lessee in multiple noncancelable operating and financing leases. If the contract provides the Station the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Station has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases 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 (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

Rural California Broadcasting Corporation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

ASC 842 Lease Accounting (Continued)

For all underlying classes of assets, the Station has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Station is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Station recognizes short-term lease cost on a straight-line basis over the lease term.

The Station made an accounting policy election for tower leases to not separate the lease components of a contract and its associated non-lease components.

Adoption of Accounting Pronouncement

ASU No. 2016-02, *Leases* (Topic 842)

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Station adopted this guidance for the year ended September 30, 2023 with modified retrospective application to October 1, 2022 through a cumulative-effect adjustment. The Station has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Station accounted for its existing operating leases as operating leases and capital leases as finance leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of December 31, 2018) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Station did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842.

As a result of the adoption of the new lease accounting guidance, Station recognized the following right-of-use (ROU) assets and lease liabilities as of October 1, 2022

ROU assets - Operating leases	\$ 4,451,162
Lease obligation - Operating leases	\$ 4,451,162

This standard did not have a material impact on the Station's net assets or cash flows from operations and had an immaterial impact on the Station's operating results. The most significant impact was the recognition of the ROU assets and lease obligations for operating leases.

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Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Stations have evaluated events and transactions for potential recognition or disclosure in the financial statements through April 11, 2024, which is the date the financial statements were available to be issued.

Note 2: Concentration of Credit Risk

The Station maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At certain times during the year, cash balances may be in excess of FDIC coverage. As of September 30, 2023 the Station has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Note 3: Liquidity and Availability of Financial Resources

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

<i>As of September 30,</i>	2023	2022
Cash	\$ 734,721	\$ 1,261,008
Grant receivable - FCC Repack	54,262	82,857
Investments	158,689	-
Accounts receivable	183,031	94,771
Subtotal	1,130,703	1,438,636
Less: Net assets with donor restrictions	(5,429)	(7,650)
Total	\$ 1,125,274	\$ 1,430,986

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

Note 4: Accounts Receivable

Accounts receivable consists of the following:

<i>As of September 30, 2023</i>	2023	2022	2021
Underwriting	\$ 183,031	\$ 94,771	\$ 93,726
Service	-	-	3,650
Total	\$ 183,031	\$ 94,771	\$ 97,376

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Notes to Financial Statements

Note 5: Investments

Investments consisted of the following:

<i>As of September 30, 2023,</i>	2023	2022
Money market funds	\$ 1,500,958	\$ 896,655
Bond funds	8,338,643	8,544,173
Equity funds	19,237,312	18,362,617
Fixed income securities	5,706,103	10,172,689
ETF and closed-end funds	14,716,001	12,775,206
Total	\$ 49,499,017	\$ 50,751,340

The following is a summary of the net return on investments:

<i>Years Ended September 30,</i>	2023	2022
Interest and dividends	\$ 1,339,133	\$ 643,468
Investment gains (losses)	4,940,294	(10,309,219)
Investment fees	(90,439)	(60,760)
Net investment loss on board designated investments	6,188,988	(9,726,511)
Other income (losses)	30,797	(8,996)
Total	\$ 6,219,785	\$ (9,735,507)

Changes in board designated endowment as follows:

<i>Years Ended September 30,</i>	2023	2022
Beginning of year	\$ 50,751,340	\$ 63,227,851
Investment income	6,188,988	(9,726,511)
Amounts appropriated for capital projects	(5,250,000)	-
Amounts appropriated for operations	(2,350,000)	(2,750,000)
End of year	\$ 49,340,328	\$ 50,751,340

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with various investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the financial statements.

Rural California Broadcasting Corporation

Notes to Financial Statements

Note 6: Broadcast Licenses

Broadcast licenses consist of the following:

<i>As of September 30,</i>	2023	2022
TV licenses	\$ 12,000,000	\$ 12,000,000
FM licenses	1,428,900	1,428,900
	13,428,900	13,428,900
Accumulated amortization	(671,446)	(335,723)
Total	\$ 12,757,454	\$ 13,093,177

TV License - The Station purchased a broadcast license for KCSM-TV, now KPJK, for \$12,000,000 in 2018. The license is amortized over 40 years.

FM License - The Station purchased two broadcast rights for KDHT(FM) and KDHT-FM2, now KDHT, for \$1,428,900 in 2021. The license is amortized over 40 years.

The expected amortization expense for the succeeding four years is \$335,723 annually.

Note 7: Property and Equipment

Property and equipment consist of the following:

<i>As of September 30, 2023,</i>	2023	2022
Land	\$ 1,247,993	\$ 359,542
Buildings and improvements	5,031,660	1,108,390
Broadcasting equipment	14,754,195	14,468,614
Satellite dishes and equipment	213,181	792,984
Furniture and equipment	83,866	435,309
Vehicles	47,072	21,731
Software	102,428	353,891
Construction in process	287,244	179,522
	21,767,639	17,719,983
Less: Accumulated depreciation	(7,579,075)	(8,690,362)
Total	\$ 14,188,564	\$ 9,029,621

Note 8: Operating Lease Revenue

The Station leases broadcasting tower space to a nonaffiliated entity under a lease agreement. The terms of the agreement extend through December 2028 and provide the lessee the right to broadcast non-commercial radio programming. The lessee has the option to renew the lease agreement for an additional ten year period in 2028.

Rural California Broadcasting Corporation

Notes to Financial Statements

Note 8: Operating Lease Revenue (Continued)

Revenues from this lease were approximately \$624,000 and \$560,000 for the years ended 2023 and 2022.

Future minimum lease revenues, are as follows at September 30, 2023:

Years Ending <i>September 30, 2023,</i>	Amount
2024	\$ 621,744
2025	635,299
2026	640,042
2027	698,640
2028	248,640
Total	\$ 2,844,365

Note 9: Leases - FASB ASC 842

The Station leases towers under several lease agreements. Certain leases include one or more options to renew. The renewal terms can extend the terms from one to ten years. The exercise of lease renewal options is at the Station's sole discretion. Renewal option periods are included in the measurement of the ROU asset and lease liability when the exercise is reasonably certain to occur.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Station's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

Operating lease cost for the year ended September 30, 2023 was \$499,774.

Weighted-average remaining lease term - operating leases	6.89
Weighted-average discount rate - operating leases	3.69 %

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Notes to Financial Statements

Note 9: Leases - FASB ASC 842 (Continued)

Maturities of lease liabilities are as follows as of September 30, 2023:

<i>Years Ended September 30,</i>	2023
2024	\$ 666,366
2025	666,366
2026	666,366
2027	666,366
2028	666,366
Thereafter	1,131,101
Total lease payments	4,462,931
Less imputed interest	(509,839)
Total	\$ 3,953,092

Note 10: Operating Leases - FASB ASC 840

As previously disclosed in the Station's 2022 financial statements and pursuant to FASB ASC 840, *Leases*, the predecessor to FASB ASC 842, future minimum lease payments for operating leases having initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2022:

<i>Years ending September 30</i>	Amount
2023	\$ 634,134
2024	634,876
2025	279,763
2026	15,757
Total	\$ 1,564,530

Lease expense for the year ended September 30, 2022 was \$635,759.

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Notes to Financial Statements

Note 11: Contributed Nonfinancial Assets

Contributed nonfinancial assets consist of the following:

<i>Years Ended September 30,</i>	2023	2022
Advertising and promotion	\$ 150,568	\$ 125,655
Professional services	27,584	11,390
Supplies for fundraising event	39,511	-
Total contributed nonfinancial assets	\$ 217,663	\$ 137,045

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

It is the Station's policy to sell all contributed vehicles immediately upon receipt at auction or for salvage unless the vehicle is restricted for use in a specific program by the donor. No vehicles received during the period were restricted for use. All vehicles were sold and valued according to the actual cash proceeds on their disposition.

Note 12: Fair Value Measurements

The following is a description of the valuation methodologies used for instruments measured at fair value:

- Money market funds are reported at net asset value ("NAV") and are deemed actively traded.
- Fixed income securities use valuation inputs, such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, and reference data, including market search publications and other observable market data.
- Mutual funds, ETF and closed-end funds are valued at the closing price reported on the active market on which the individual funds are traded.

The following tables presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy:

Rural California Broadcasting Corporation

Notes to Financial Statements

Note 12: Fair Value Measurements (Continued)

<i>As of September 30, 2023</i>	Fair Value of Assets			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,500,958	\$ -	\$ -	\$ 1,500,958
Bond funds	8,338,643	-	-	8,338,643
Equity funds	19,237,312	-	-	19,237,312
Fixed income securities	-	5,706,103	-	5,706,103
ETF and closed-end funds	14,716,001	-	-	14,716,001
Total	\$ 43,792,914	\$ 5,706,103	\$ -	\$ 49,499,017

<i>As of September 30, 2022</i>	Fair Value of Assets			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 896,655	\$ -	\$ -	\$ 896,655
Bond funds	8,544,173	-	-	8,544,173
Equity funds	18,362,617	-	-	18,362,617
Fixed income securities	-	10,172,689	-	10,172,689
ETF and closed-end funds	12,775,206	-	-	12,775,206
Total	\$ 40,578,651	\$ 10,172,689	\$ -	\$ 50,751,340

Note 13: Net Assets with Donor Restriction

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

<i>As of September 30, 2023,</i>	2023	2022
Grants	\$ 5,429	\$ 7,650
Total	\$ 5,429	\$ 7,650

Rural California Broadcasting Corporation

Notes to Financial Statements

Note 13: Net Assets with Donor Restriction (Continued)

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

<i>Year Ended September 30, 2023,</i>	2023	2022
Programming and general operations	\$ 32,071	\$ 63,125
Total	\$ 32,071	\$ 63,125

Note 14: Restate of Previously Issued Financial Statement

The financial statement as of and for the year ended September 30, 2022, have been restated to correct errors for the understatement of depreciation of assets related to an operating lease. Accordingly, the cumulative effect adjustment of \$550,521 was made to reduce property and equipment and net assets as of October 1, 2021. In addition, depreciation expense for 2022 was increased by \$496,950 and the change in net assets without donor restrictions was reduced by the \$496,950. The overall effect on net assets as of September 30, 2022 due to above mentioned changes was a reduction of \$1,047,471.

Rural California Broadcasting Corporation

Schedule of Revenue and Expenses by License Type

Year Ended September 30, 2023

	TV	FM	Total
Revenues:			
CPB grants	\$ 429,213	\$ 81,671	\$ 510,884
Government grants	217,289	54,322	271,611
FCC repack income	655,069	-	655,069
Other grants	129,500	30,000	159,500
Underwriting	65,944	113,323	179,267
Membership contributions	886,159	220,898	1,107,057
Donated goods and services	152,515	65,148	217,663
Auction and other fundraising	111,989	-	111,989
Rental income	499,393	124,849	624,242
Services revenue	381,125	2,000	383,125
Other revenue	76,103	1,486	77,589
Loss on disposal of asset	(23,161)	-	(23,161)
Interest and dividends, net	1,018,624	254,656	1,273,280
Investment gains	3,957,204	989,301	4,946,505
Total revenue	8,556,966	1,937,654	10,494,620
Expenses			
Programming and production	1,738,308	596,717	2,335,025
Broadcasting	2,418,882	302,965	2,721,847
Program information and promotion	364,010	75,899	439,909
Management and general	948,861	258,033	1,206,894
Auction and membership development	526,921	84,480	611,401
Underwriting and grant development	114,628	28,988	143,616
Total expenses	6,111,610	1,347,082	7,458,692
Net change	\$ 2,445,356	\$ 590,572	\$ 3,035,928