

Cornerstone Television, Inc.

Financial Statements

Years Ended December 31, 2023 and 2022
with Independent Auditor's Report

MaherDuessel

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CORNERSTONE TELEVISION, INC.

YEARS ENDED DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

**Board of Directors
Cornerstone Television, Inc.**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Cornerstone Television, Inc. (Cornerstone), which comprise the statements of financial position as of December 31, 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 financial statements referred to above present fairly, in all material respects, the financial position of Cornerstone as of December 31, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cornerstone, 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 Cornerstone's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 generally accepted auditing standards, we:

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

Mahe Duessel

Pittsburgh, Pennsylvania
June 13, 2024

CORNERSTONE TELEVISION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

Assets	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 524,540	\$ 676,782
Investments	3,433,711	3,525,119
Accounts receivable, net of allowance for credit losses of \$17,990 and \$17,990, respectively	375,328	365,913
Inventory	79,853	75,846
Prepaid expenses and other current assets	<u>4,665</u>	<u>52,583</u>
Total current assets	<u>4,418,097</u>	<u>4,696,243</u>
Non-current assets:		
Investments - restricted	<u>1,500,000</u>	<u>1,500,000</u>
Property, buildings, and equipment		
Tower and broadcasting equipment	6,923,961	6,872,546
Site development and land improvements	779,914	779,914
Buildings and improvements	2,920,527	2,830,196
Office furniture and equipment	540,400	540,400
Vehicles	<u>79,468</u>	<u>79,468</u>
	11,244,270	11,102,524
Less: accumulated depreciation and amortization	<u>(7,059,495)</u>	<u>(6,738,087)</u>
	4,184,775	4,364,437
Land	<u>115,963</u>	<u>66,785</u>
Total property, buildings, and equipment	<u>4,300,738</u>	<u>4,431,222</u>
Right-of-use asset - operating lease	<u>50,245</u>	<u>65,548</u>
Total non-current assets	<u>5,850,983</u>	<u>5,996,770</u>
Total Assets	<u><u>\$ 10,269,080</u></u>	<u><u>\$ 10,693,013</u></u>

(Continued)

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

(Continued)

	<u>2023</u>	<u>2022</u>
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 209,982	\$ 165,753
Deferred revenue	27,944	29,733
Current portion of operating lease liability	15,623	15,303
Total current liabilities	<u>253,549</u>	<u>210,789</u>
Long-term liabilities:		
Annuities payable	8,407	8,614
Non-current portion of operating lease liability	34,622	50,245
Total long-term liabilities	<u>43,029</u>	<u>58,859</u>
Total Liabilities	<u>296,578</u>	<u>269,648</u>
Net Assets:		
Without donor restrictions:		
Undesignated	5,431,224	5,719,556
Board-designated	181,655	160,438
Investment in fixed assets, net of related debt	4,300,738	4,431,222
Total without donor restrictions	9,913,617	10,311,216
With donor restrictions	58,885	112,149
Total Net Assets	<u>9,972,502</u>	<u>10,423,365</u>
Total Liabilities and Net Assets	<u><u>\$ 10,269,080</u></u>	<u><u>\$ 10,693,013</u></u>

(Concluded)

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Contributions and bequests	\$ 1,948,954	\$ 53,608	\$ 2,002,562
Broadcasting and production	2,145,843	-	2,145,843
Other revenues	58,099	-	58,099
Total revenues and other support	4,152,896	53,608	4,206,504
Net assets released from restrictions (operating)	84,992	(84,992)	-
Net assets released from restrictions (capital)	21,880	(21,880)	-
	4,259,768	(53,264)	4,206,504
Expenses:			
Program	3,034,639	-	3,034,639
Support services:			
Management and general	1,111,300	-	1,111,300
Fundraising	750,340	-	750,340
Total support services	1,861,640	-	1,861,640
Total expenses	4,896,279	-	4,896,279
Gain (Loss) from Operations	(636,511)	(53,264)	(689,775)
Non-Operating Activities:			
Investment income (loss)	238,912	-	238,912
Gain (loss) on disposal of obsolete assets	-	-	-
Total non-operating income (loss)	238,912	-	238,912
Change in Net Assets	(397,599)	(53,264)	(450,863)
Net Assets:			
Beginning of year	10,311,216	112,149	10,423,365
End of year	\$ 9,913,617	\$ 58,885	\$ 9,972,502

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Contributions and bequests	\$ 2,501,529	\$ 82,653	\$ 2,584,182
Broadcasting and production	2,154,775	-	2,154,775
Other revenues	133,786	-	133,786
Total revenues and other support	4,790,090	82,653	4,872,743
Net assets released from restrictions (operating)	56,006	(56,006)	-
Net assets released from restrictions (capital)	24,178	(24,178)	-
	4,870,274	2,469	4,872,743
Expenses:			
Program	2,888,568	-	2,888,568
Support services:			
Management and general	1,092,808	-	1,092,808
Fundraising	753,169	-	753,169
Total support services	1,845,977	-	1,845,977
Total expenses	4,734,545	-	4,734,545
Gain (Loss) from Operations	135,729	2,469	138,198
Non-Operating Activities:			
Investment income (loss)	(679,048)	-	(679,048)
Gain (loss) on disposal of obsolete assets	(7,694)	-	(7,694)
Total non-operating income (loss)	(686,742)	-	(686,742)
Change in Net Assets	(551,013)	2,469	(548,544)
Net Assets:			
Beginning of year	10,862,229	109,680	10,971,909
End of year	\$ 10,311,216	\$ 112,149	\$ 10,423,365

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,194,494	\$ 529,536	\$ 217,665	\$ 1,941,695
Employee benefits	252,738	100,625	73,546	426,909
Grants and allocations	529,941	-	-	529,941
Outside services	169,637	79,890	77,635	327,162
Office expenses	160,262	37,997	90,047	288,306
Equipment rental and maintenance	26,727	43,937	2,584	73,248
Occupancy	156,229	14,533	-	170,762
Printing and publications	-	883	159,596	160,479
Travel	14,480	1,038	12	15,530
Depreciation and amortization	336,711	-	-	336,711
Interest and bank fees	-	19,945	-	19,945
Miscellaneous	27,824	3,341	144	31,309
Premiums and promotions	-	86,668	42,355	129,023
Insurance	3,255	74,907	-	78,162
Guests and honorariums	-	-	86,756	86,756
Exempt Organization Business Taxes	-	118,000	-	118,000
Purpose restricted disbursements	77,483	-	-	77,483
Program fees and acquisition costs	84,858	-	-	84,858
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 3,034,639</u>	<u>\$ 1,111,300</u>	<u>\$ 750,340</u>	<u>\$ 4,896,279</u>

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,176,018	\$ 490,380	\$ 218,179	\$ 1,884,577
Employee benefits	235,905	112,851	75,326	424,082
Grants and allocations	442,086	-	-	442,086
Outside services	231,990	85,524	72,452	389,966
Office expenses	142,193	37,751	83,125	263,069
Equipment rental and maintenance	52,599	43,373	1,498	97,470
Occupancy	154,563	14,212	-	168,775
Printing and publications	-	611	154,991	155,602
Travel	15,649	71	316	16,036
Depreciation and amortization	343,405	-	-	343,405
Interest and bank fees	-	26,472	-	26,472
Miscellaneous	8,106	5,247	2,212	15,565
Premiums and promotions	-	83,423	40,396	123,819
Insurance	3,050	70,681	-	73,731
Guests and honorariums	4,219	1,681	104,674	110,574
Exempt Organization Business Taxes	-	120,531	-	120,531
Purpose restricted disbursements	40,833	-	-	40,833
Program fees and acquisition costs	37,952	-	-	37,952
Total Expenses	<u>\$ 2,888,568</u>	<u>\$ 1,092,808</u>	<u>\$ 753,169</u>	<u>\$ 4,734,545</u>

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ (450,863)	\$ (548,544)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	336,711	343,405
Unrealized (gain) loss on investments	5,879	743,840
Gain (loss) on disposition of obsolete assets	-	7,694
Change in:		
Accounts receivable	(9,415)	(45,476)
Inventory	(4,007)	(6,064)
Prepaid expenses and other current assets	47,918	(1,489)
Accounts payable	44,229	14,942
Deferred revenue	(1,789)	1,862
Operating lease liability	(15,303)	(14,256)
Annuity payable	(207)	(207)
Total adjustments	404,016	1,044,251
Net cash provided by (used in) operating activities	(46,847)	495,707
Cash Flows From Investing Activities:		
Acquisition of fixed assets	(190,924)	(260,348)
Sales of investments	300,000	228,000
Purchase of investments	(214,471)	(141,652)
Net cash provided by (used in) investing activities	(105,395)	(174,000)
Cash Flows From Financing Activities:		
Repayments under line of credit agreement	-	(120,000)
Net cash provided by (used in) financing activities	-	(120,000)
Net Increase (Decrease) in Cash and Cash Equivalents	(152,242)	201,707
Cash and Cash Equivalents:		
Beginning of year	676,782	475,075
End of year	\$ 524,540	\$ 676,782
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	\$ -	\$ 4,816
Cash paid during the year for Unrelated Business Income Tax	\$ 118,000	\$ 120,531
Addition of right-of-use asset for operating leases	\$ -	\$ 79,706

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

1. Organization

Cornerstone Television Inc. (Cornerstone) is a Pennsylvania not-for-profit corporation, which was organized on May 4, 1970. Cornerstone's operations consist primarily of providing and broadcasting religious and education television programming. Cornerstone also owns other broadcasting stations, which provide the same services.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly, reflects all significant receivables, payables, and other liabilities. In accordance with Financial Accounting Standards Board (FASB) authoritative guidance, Cornerstone resources are classified for accounting and reporting purposes into classes of net assets established according to their nature and purpose. There are two types of net assets:

Net Assets Without Donor Restrictions

Used to accumulate all net assets without donor restrictions and board-designated resources from operations. It represents the portion of expendable funds that are available for support of Cornerstone's operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions include those net assets whose use is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of Cornerstone pursuant to those stipulations. There can also be net assets with a donor-imposed restriction that stipulates that resources be maintained permanently but permits an organization to use up or expend part or all of the income derived from the donated assets. Cornerstone has no net assets with donor restrictions that must be maintained in perpetuity.

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified as net assets without donor

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions

Contributions (unconditional promises to give) are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend on have been met. Cornerstone had no conditional promises to give at December 31, 2023 and 2022.

Revenue from Contracts with Customers

Broadcasting and production revenues are considered to be revenue from contracts with customers. The contracts are held with other religious-based not-for-profit entities and for-profit, non-religious-based entities. The contracts are fee-for-service contracts under which Cornerstone provides television program airtime, spot advertisements, and production services. Services are provided over the life of the contract, which are typically one year in duration. Revenue is recognized when the performance obligation of the contract is satisfied, and the broadcast takes place or the production services are rendered to the contracting entity. Generally, Cornerstone bills customers subsequent to the performance of services.

For the year ended December 31, 2023, beginning of the year contract receivables were \$365,913 and end of year were \$375,328. For the year ended December 31, 2022, beginning of the year contract receivables were \$320,437 and end of the year were \$365,913. At December 31, 2023 and 2022, there were no payables related to the contracts, nor were there any contract payables at the beginning of each respective calendar year.

There have been no changes in the significant judgments related to the amount and timing of revenue from contracts with customers and there are no impairment losses recognized related to these contracts.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

FCC Reimbursement

FCC reimbursements are recorded as other revenues. Cornerstone's revenue from the FCC is derived from cost-reimbursable government grants, which are conditioned upon approval by the FCC and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Cornerstone receives approval from the FCC and the reimbursement is received. The FCC reimburses Cornerstone for tower site modifications that were required under the FCC broadcast band change (see Note 11). At December 31, 2023 and 2022, Cornerstone had \$0 and \$83,711 respectively, in outstanding reimbursement requests to the FCC. Submitted requests are not accrued for at year-end, as it is at the FCC's discretion to award the reimbursements.

Functional Allocation of Expenses

The costs of operations of Cornerstone have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program and support services based upon management's judgment of efforts expended.

Deferred Revenue

Deferred revenue represents the prepayment on airtime agreements by various organizations. The income from the airtime prepayments will be recognized when the related programs are aired. For the year ended December 31, 2023, beginning of the year deferred revenue related to the contracts were \$29,733 and end of year were \$27,944. For the year ended December 31, 2022, beginning of the year deferred revenue related to the contracts were \$27,871 and end of year were \$29,733.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are deposited at local banks. At December 31, 2023 and 2022, the carrying amounts of Cornerstone's deposits were \$524,540 and \$676,782, respectively,

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

and the bank balances were \$498,285 and \$653,261, respectively. For 2023, the uninsured cash balance totaled \$211,101. For 2022, the uninsured cash balance totaled \$377,401. For purposes of the statements of cash flows, cash and cash equivalents include all highly liquid instruments with maturities of three months or less when purchased.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recorded at the amounts originally billed, less payments received, and are non-interest bearing, as they are due within one year. Accounts are classified as current or past due based on the terms of the contract or agreement under which the receivable arose. Cornerstone has tracked historical loss information for its accounts receivable as a reasonable base on which to determine expected credit losses. With a relatively small population of customers, management also factors in specific conditions that apply to an individual customer and current and reasonable supportable forecasted economic conditions that have been determined to be consistent between 2023 and 2022 so there was no change in the allowance for expected credit loss. Accordingly, the allowance for credit losses at December 31, 2023 and 2022 totaled \$17,990.

Inventory

Inventory is stated at the lower of cost (determined by the first-in, first-out method of accounting) or net realizable value.

Cornerstone periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory. There were no such adjustments required to the carrying amounts of inventory at December 31, 2023 and 2022.

Financial Instruments

The following methods and assumptions were used by Cornerstone in estimating fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

Investments: Quoted prices in active markets for identical assets (Level 1).

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Risks and Uncertainties

Cornerstone investments in marketable securities potentially expose them to a concentration of credit risk. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Investment securities are also exposed to various other risks such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such change could materially affect the amount reported on the statements of financial position.

Fixed Assets

Fixed assets are stated at cost if purchased. Donations of fixed assets are recorded as contributions at their estimated fair value at the time of donation. Fixed asset purchases and major improvements and betterments to equipment, other than tower related purchases, that are valued at a cost of \$2,000 or more with a useful life greater than one year are capitalized. Tower and related purchases valued at a cost of \$5,000 or more with a useful life greater than one year are capitalized. Expenditures for renewals and improvements that significantly extend the useful life of the asset are capitalized. Expenditures for maintenance or repairs are expensed currently.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2023 and 2022.

Depreciation is computed using the straight-line method based on the estimated useful lives of the various assets.

Leases

Cornerstone determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Cornerstone does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Income Taxes

Cornerstone is a non-profit organization and is exempt from paying income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Cornerstone's tax-exempt purpose is subject to taxation as unrelated business income. In addition, Cornerstone qualifies for the charitable deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation. Cornerstone files a Form 990 information return as well as a Form 990T for its unrelated business income annually.

Contributions to Charitable Organizations

Contributions to charitable organizations are determined by the Board of Directors (Board). These are reported in the financial statements as grants and allocations expense, a reduction in unrestricted net assets.

During 2023 and 2022, a contribution of \$14,400 was made to a charitable organization with which a Board member is affiliated. The Board was informed of the affiliation and did not consider the contribution to be a conflict of interest.

Operating Activities

For purposes of the statements of activities, Cornerstone distinguishes between operating revenue, support and expenses, and non-operating revenue, support, gains, and losses. Cornerstone treats as operating revenue and support and operating expenses all revenues and expenses that are an integral part of its program and supporting activities. All other activity is nonoperating.

Liquidity and Availability

Cornerstone manages its liquid resources by focusing on fundraising efforts to ensure the entity has adequate contributions and grants to cover the programs that are being conducted. Cornerstone prepares very detailed budgets, ensures timely billing of broadcasting and production revenues, and has been very active in monitoring costs to ensure the entity remains liquid.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

As discussed in Note 5, Cornerstone maintains a line of credit to assist in meeting cash needs if they experience a lag between the receipt of contributions and the payment of costs.

The following reflects Cornerstone's financial assets (cash and cash equivalents, accounts receivable, and investments - current) as of December 31, 2023 and 2022 expected to be available within one year to meet the cash needs for general expenditures.

	<u>2023</u>	<u>2022</u>
Financial assets, at year-end	\$ 4,333,579	\$ 4,567,814
Less: those unavailable for general expenditures within one year, due to:		
Board designations	(181,655)	(160,438)
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	<u>(58,885)</u>	<u>(112,149)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,093,039</u>	<u>\$ 4,295,227</u>

Adopted Accounting Standards

The provisions of these Standards Updates have been adopted and incorporated into these financial statements:

ASU 2016-13, "*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*" These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

3. Investments

Cornerstone's investments are managed by registered investment advisors and consist of various investments in marketable securities. These investments are reported at fair value. As of December 31, 2023 and 2022, investments consist of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,933,606	\$ 4,993,742
U.S. fixed income	105	162
International fixed income	-	-
U.S. equities - mutual funds	-	31,214
International equities - mutual funds	-	-
	<u>\$ 4,933,711</u>	<u>\$ 5,025,119</u>

Investment income (loss) for the years ended December 31, 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 240,703	\$ 108,125
Net realized and unrealized gain (loss)	<u>(1,791)</u>	<u>(787,173)</u>
	<u>\$ 238,912</u>	<u>\$ (679,048)</u>

In accordance with accounting principles generally accepted in the United States of America, all investments of Cornerstone are measured using Level 1, Level 2, and Level 3 fair value inputs. Level 1 fair value is defined as inputs based upon "measuring the value at quoted prices available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market." Level 2 is defined as inputs based upon "measuring pricing units other than at quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed." Level 3 is defined as inputs based upon "significant unobservable inputs, as they trade infrequently or not at all."

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The fair values of investments held by Cornerstone are determined using quoted prices in active markets for identical assets and, as such, are classified at December 31, 2023 and 2022 as Level 1 assets within the fair value hierarchy.

4. Fixed Assets

Following is a summary of fixed assets and related balances at December 31, 2023:

	2022	Additions	Deletions	2023
Land	\$ 66,785	\$ 49,178	\$ -	\$ 115,963
Tower and broadcasting equipment	6,872,546	51,415	-	6,923,961
Site development and land improvements	779,914	-	-	779,914
Building and improvements	2,830,196	90,331	-	2,920,527
Office furniture and equipment	540,400	-	-	540,400
Vehicles	79,468	-	-	79,468
Accumulated depreciation and amortization	(6,738,087)	(321,408)	-	(7,059,495)
	<u>\$ 4,431,222</u>	<u>\$ (130,484)</u>	<u>\$ -</u>	<u>\$ 4,300,738</u>

Following is a summary of fixed assets and related balances at December 31, 2022:

	2021	Additions	Deletions	2022
Land	\$ 66,785	\$ -	\$ -	\$ 66,785
Tower and broadcasting equipment	6,842,855	29,691	-	6,872,546
Site development and land improvements	640,176	228,478	(88,740)	779,914
Building and improvements	2,830,196	-	-	2,830,196
Office furniture and equipment	538,221	2,179	-	540,400
Vehicles	79,468	-	-	79,468
Accumulated depreciation and amortization	(6,489,983)	(329,150)	81,046	(6,738,087)
	<u>\$ 4,507,718</u>	<u>\$ (68,802)</u>	<u>\$ (7,694)</u>	<u>\$ 4,431,222</u>

For 2023, land purchases relate to Cornerstone's purchase of new property. In both 2023 and 2022, tower and broadcasting equipment purchases related to the purchase of new equipment and Cornerstone's FCC required broadcast band change, respectively. FCC purchases are further described in Note 11. For 2023, building improvement costs relate to new carpeting being purchased for the Cornerstone building. For 2022, site development

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and land improvement purchases and disposals related to the paving of the new parking lot. The disposal of the old parking lot resulted in a loss of \$7,694.

5. Line of Credit

In March 2018, Cornerstone obtained a secured line of credit allowing borrowings to a maximum of \$1,000,000, with a variable interest rate. At December 31, 2023, the line of credit's interest rate was 9.00%. Under the line of credit agreement, Cornerstone was required to deposit and maintain at least \$1,500,000 in an investment account with the lender, which is to serve as collateral. During the year ended December 31, 2023, Cornerstone borrowed \$0 on the line of credit and made repayments of \$0. Cornerstone had an outstanding balance of \$0 and \$0 on the line of credit at December 31, 2023 and 2022, respectively.

6. Annuities Payable

Annuities payable represents the liability for periodic payments due to individuals from annuity gifts received from them. The amount of the liability is calculated by an independent agent who is managing the annuities but is believed to be fairly stated by management.

7. Retirement Savings Plan

Cornerstone has a Retirement Savings Plan (Plan) for all eligible employees as defined by the Plan. The employees may contribute up to the maximum amount of their salary allowed under the law. Cornerstone each year may make a discretionary matching contribution equal to a percentage of the amount of the employee salary reduction up to 5% of the employee's compensation. The applicable percentage is determined each year by Cornerstone. The applicable percentage was 30% of the employee's contributed amount for both 2023 and 2022. For the years ended December 31, 2023 and 2022, the discretionary contribution charged to operations was approximately \$17,500 and \$16,500, respectively.

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8. Lease and Other Commitments

Cornerstone evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) asset represents Cornerstone's right to use underlying assets for the lease term, and the lease liability represents Cornerstone's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, which arise from operating leases, were calculated based on the present value of future lease payments over the lease term. Cornerstone has made an accounting policy election to use a Treasury risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted average discount rate used to discount future lease payments is 0.17% and 3.68%.

Cornerstone's operating leases consisted of one postage machine and three copiers for use in the preparation of letters and mailings. For the year ended December 31, 2023 and 2022, total operating lease cost was approximately \$16,800 and \$7,100, respectively, which approximated cash paid. As of December 31, 2023, the postage machine and copier leases had remaining lease terms of approximately 2 and 4 years, respectively.

There were no noncash investing and operating transactions related to leasing other than the 2022 transition entry described in Note 1.

Future maturities of lease liabilities are presented in the following table, for years ending December 31:

2024	\$	16,824
2025		16,824
2026		9,696
2027		9,696
Total lease payments		53,040
Less present value discount		(2,795)
Total lease obligation	\$	<u>50,245</u>

9. Board-Designated Resources

Certain net assets without donor restrictions can be subject to Board designation for purchase of capital equipment and research and education. Board-designated resources at December 31, 2023 and 2022 were \$181,655 and \$160,438, respectively.

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10. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of contributions received by Cornerstone with donor-imposed restrictions for which the purpose has not yet been met. During fiscal years 2023 and 2022, net assets with donor restrictions totaling \$84,992 and \$56,006, respectively, were released from restrictions through the fulfillment of operating purpose restrictions. During fiscal years 2023 and 2022, net assets with donor restrictions totaling \$21,880 and \$24,178 were released from restrictions through the fulfillment of capital purpose restrictions. At December 31, 2023 and 2022, net assets with donor restrictions of \$58,885 and \$112,149, respectively, were restricted for other Christian ministries.

11. FCC Auction and Reimbursement

Cornerstone participated in the FCC Spectrum Auction during 2017 and, in consideration for moving its Altoona/Johnstown station WKBS from the UHF broadcast band to the VHF broadcast band, received approximately \$10.4 million. Cornerstone had two years to modify the tower to accept antennas for the new channels in order to be eligible for additional reimbursement by the FCC for costs associated with the change. Cornerstone received \$83,711 during 2022 through FCC reimbursements for low broadband tower modifications, which ended in 2022.