

Cornerstone Television, Inc.

Financial Statements

Years Ended December 31, 2022 and 2021
with Independent Auditor's Report

CORNERSTONE TELEVISION, INC.

YEARS ENDED DECEMBER 31, 2022 AND 2021

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Statements of Financial Position	1
Statements of Activities:	
- Year Ended December 31, 2022	3
- Year Ended December 31, 2021	4
Statements of Functional Expenses:	
- Year Ended December 31, 2022	5
- Year Ended December 31, 2021	6
Statements of Cash Flows	7
Notes to Financial Statements	8

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

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 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, including omissions, 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 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 20, 2023

CORNERSTONE TELEVISION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 676,782	\$ 475,075
Investments	3,525,119	4,355,306
Accounts receivable, net of allowance for doubtful accounts of \$17,990 and \$17,990, respectively	365,913	320,437
Inventory	75,846	69,782
Prepaid expenses and other current assets	52,583	51,094
	<u>4,696,243</u>	<u>5,271,694</u>
Non-current assets:		
Investments - restricted	1,500,000	1,500,000
Property, buildings, and equipment		
Tower and broadcasting equipment	6,872,546	6,842,855
Site development and land improvements	779,914	640,176
Buildings and improvements	2,830,196	2,830,196
Office furniture and equipment	540,400	538,221
Vehicles	79,468	79,468
	<u>11,102,524</u>	<u>10,930,916</u>
Less: accumulated depreciation and amortization	(6,738,087)	(6,489,983)
	<u>4,364,437</u>	<u>4,440,933</u>
Land	66,785	66,785
	<u>4,431,222</u>	<u>4,507,718</u>
Right of use asset - operating lease	65,548	-
	<u>5,996,770</u>	<u>6,007,718</u>
Total non-current assets		
	<u>10,693,013</u>	<u>11,279,412</u>
Total Assets	\$ 10,693,013	\$ 11,279,412

(Continued)

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

(Continued)

	2022	2021
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 165,753	\$ 150,811
Line of credit	-	120,000
Deferred revenue	29,733	27,871
Current portion of operating lease liability	15,303	-
Total current liabilities	210,789	298,682
Long-term liabilities:		
Annuities payable	8,614	8,821
Non-current portion of operating lease liability	50,245	-
Total long-term liabilities	58,859	8,821
Total Liabilities	269,648	307,503
Net Assets:		
Without donor restrictions:		
Undesignated	5,879,994	6,474,511
Investment in fixed assets, net of related debt	4,431,222	4,387,718
Total without donor restrictions	10,311,216	10,862,229
With donor restrictions	112,149	109,680
Total Net Assets	10,423,365	10,971,909
Total Liabilities and Net Assets	\$ 10,693,013	\$ 11,279,412

(Concluded)

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 ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Contributions and bequests	\$ 2,360,185	\$ 130,985	\$ 2,491,170
Broadcasting and production	1,983,241	-	1,983,241
Other revenues	162,428	-	162,428
Total revenues and other support	4,505,854	130,985	4,636,839
Net assets released from restrictions (operating)	50,849	(50,849)	-
Net assets released from restrictions (capital)	71,893	(71,893)	-
	4,628,596	8,243	4,636,839
Expenses:			
Program	2,905,605	-	2,905,605
Support services:			
Management and general	1,131,770	-	1,131,770
Fundraising	716,952	-	716,952
Total support services	1,848,722	-	1,848,722
Total expenses	4,754,327	-	4,754,327
Gain (Loss) from Operations	(125,731)	8,243	(117,488)
Non-Operating Activities:			
Investment income (loss)	726,158	-	726,158
Gain (loss) on disposal of obsolete assets	-	-	-
Total non-operating income (loss)	726,158	-	726,158
Change in Net Assets	600,427	8,243	608,670
Net Assets:			
Beginning of year	10,261,802	101,437	10,363,239
End of year	\$ 10,862,229	\$ 109,680	\$ 10,971,909

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program	Management and General	Fundraising	Total
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
Bad debt	-	-	-	-
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
	<u>\$ 2,888,568</u>	<u>\$ 1,092,808</u>	<u>\$ 753,169</u>	<u>\$ 4,734,545</u>
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.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 1,127,107	\$ 463,819	\$ 215,401	\$ 1,806,327
Employee benefits	238,017	125,524	65,492	429,033
Grants and allocations	472,416	-	-	472,416
Outside services	249,699	162,787	67,872	480,358
Office expenses	127,299	33,670	80,310	241,279
Equipment rental and maintenance	47,647	56,652	16,471	120,770
Occupancy	142,676	18,059	-	160,735
Printing and publications	-	1,131	143,030	144,161
Travel	17,205	137	-	17,342
Depreciation and amortization	349,167	-	-	349,167
Interest and bank fees	-	24,821	-	24,821
Miscellaneous	6,259	17,154	2,924	26,337
Premiums and promotions	104	82,552	32,285	114,941
Insurance	3,072	66,185	-	69,257
Guests and honorariums	6,578	9,572	93,167	109,317
Exempt Organization Business Taxes	-	69,707	-	69,707
Purpose restricted disbursements	50,849	-	-	50,849
Program fees and acquisition costs	67,510	-	-	67,510
	<u>\$ 2,905,605</u>	<u>\$ 1,131,770</u>	<u>\$ 716,952</u>	<u>\$ 4,754,327</u>
Total Expenses	<u>\$ 2,905,605</u>	<u>\$ 1,131,770</u>	<u>\$ 716,952</u>	<u>\$ 4,754,327</u>

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ (548,544)	\$ 608,670
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	343,405	349,167
Unrealized (gain) loss on investments	743,840	(141,767)
Gain (loss) on disposition of obsolete assets	7,694	-
Change in:		
Accounts receivable	(45,476)	(12,123)
Inventory	(6,064)	(9,831)
Prepaid expenses and other current assets	(1,489)	(13,593)
Accounts payable	14,942	(173,644)
Deferred revenue	1,862	8,249
Operating lease liability	(14,256)	-
Annuity payable	(207)	(3,411)
Total adjustments	1,044,251	3,047
Net cash provided by (used in) operating activities	495,707	611,717
Cash Flows From Investing Activities:		
Acquisition of fixed assets	(260,348)	(328,843)
Sales of investments	228,000	457,000
Purchase of investments	(141,652)	(850,786)
Net cash provided by (used in) investing activities	(174,000)	(722,629)
Cash Flows From Financing Activities:		
Repayments under line of credit agreement	(120,000)	-
Proceeds from line of credit agreement	-	120,000
Net cash provided by (used in) financing activities	(120,000)	120,000
Net Increase (Decrease) in Cash and Cash Equivalents	201,707	9,088
Cash and Cash Equivalents:		
Beginning of year	475,075	465,987
End of year	\$ 676,782	\$ 475,075
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	\$ 4,816	\$ 982
Cash paid during the year for Unrelated Business Income Tax	\$ 120,531	\$ 69,707
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, 2022 AND 2021

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

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021.

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.

At December 31, 2022 and 2021, end of year receivables related to the contracts were \$365,913 and \$320,437, respectively. Beginning year receivables were \$320,437 and \$308,314, respectively. At December 31, 2022 and 2021, 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.

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, 2022 and 2021, Cornerstone had \$83,711 and \$79,705, 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. Outstanding reimbursement submissions as of December 31, 2021 were recorded as revenue in 2022 when the FCC awards were approved.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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. At December 31, 2022 and 2021, end of year deferred revenue related to the contracts were \$29,733 and \$27,871, respectively. Beginning year receivables were \$27,871 and \$19,622.

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, 2022 and 2021, the carrying amounts of Cornerstone's deposits were \$676,782 and \$475,075, respectively, and the bank balances were \$653,261 and \$471,443, respectively. For 2022, the uninsured cash balance totaled \$377,401. For 2021, the uninsured cash balance totaled \$201,394. 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 Doubtful Accounts

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. The allowance for doubtful accounts is based upon historical collections and the amount of past due receivables for accounts whose collectivity is in doubt. Past-due balances are written off once management determines collection is not possible.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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 to the carrying amounts of inventory at December 31, 2022 and 2021.

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).

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

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021.

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 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 a reduction in unrestricted net assets.

During 2022 and 2021, a contribution of \$14,400 and \$16,400, respectively, 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.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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.

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, 2022 and 2021 expected to be available within one year to meet the cash needs for general expenditures.

	<u>2022</u>	<u>2021</u>
Financial assets, at year-end	\$ 4,567,814	\$ 5,150,818
Less: those unavailable for general expenditures within one year, due to:		
Board designations	(160,438)	(65,353)
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	<u>(112,149)</u>	<u>(109,680)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,295,227</u>	<u>\$ 4,975,785</u>

Adopted Accounting Standard

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

ASU 2016-02, "Leases (Topic 842)." These amendments and related amendments require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures are required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The adoption of this standard resulted in the presentation of right to use lease assets and related lease liabilities on the statement of financial position, and additional footnote disclosure. Cornerstone elected not to restate the comparative period. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing this ASU, Cornerstone recognized a

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

right-of-use asset of \$28,413 and lease liability of \$28,413 in its statement of financial position as of January 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

Reclassification

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

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.

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, 2022 and 2021, investments consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,993,742	\$ 150,112
U.S. fixed income	162	3,010,189
International fixed income	-	183,126
U.S. equities - mutual funds	31,214	2,496,499
International equities - mutual funds	-	15,380
	<u>\$ 5,025,119</u>	<u>\$ 5,855,306</u>

Investment income (loss) for the years ended December 31, 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 108,125	\$ 141,038
Net realized and unrealized gain (loss)	<u>(787,173)</u>	<u>585,120</u>
	<u>\$ (679,048)</u>	<u>\$ 726,158</u>

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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.”

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, 2022 and 2021 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, 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>

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Following is a summary of fixed assets and related balances at December 31, 2021:

	<u>2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>2021</u>
Land	\$ 66,785	\$ -	\$ -	\$ 66,785
Tower and broadcasting equipment	6,546,397	296,458	-	6,842,855
Site development and land improvements	640,176	-	-	640,176
Building and improvements	2,800,835	32,385	(3,024)	2,830,196
Office furniture and equipment	538,221	-	-	538,221
Vehicles	79,468	-	-	79,468
Accumulated depreciation and amortization	<u>(6,143,840)</u>	<u>(349,167)</u>	<u>3,024</u>	<u>(6,489,983)</u>
	<u>\$ 4,528,042</u>	<u>\$ (20,324)</u>	<u>\$ -</u>	<u>\$ 4,507,718</u>

For both 2022 and 2021, tower and broadcasting equipment purchases related to Cornerstone's FCC required broadcast band change, are further described in Note 11. For 2022, site development 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, 2022, the line of credit's interest rate was 8.00%. 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, 2022, Cornerstone borrowed \$0 on the line of credit and made repayments of \$120,000. Cornerstone had an outstanding balance of \$0 and \$120,000 on the line of credit at December 31, 2022 and 2021, 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.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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 2022 and 2021. For the years ended December 31, 2022 and 2021, the discretionary contribution charged to operations was approximately \$16,500 and \$17,000, respectively.

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 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, 2022, total operating lease cost was approximately \$7,100, which approximated cash paid. As of December 31, 2022, the postage machine and copier leases had remaining lease terms of approximately 3 and 5 years, respectively.

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

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

2023	\$	16,824
2024		16,824
2025		16,824
2026		9,696
2027		9,696
		<hr/>
Total lease payments		69,864
Less present value discount		(4,316)
		<hr/>
Total lease obligation	\$	65,548
		<hr/> <hr/>

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, 2022 and 2021 were \$160,438 and \$65,353, respectively.

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 2022 and 2021, net assets with donor restrictions totaling \$56,006 and \$50,849, respectively, were released from restrictions through the fulfillment of operating purpose restrictions. During fiscal years 2022 and 2021, net assets with donor restrictions totaling \$24,178 and \$71,893 were released from restrictions through the fulfillment of capital purpose restrictions. At December 31, 2022 and 2021, net assets with donor restrictions of \$112,149 and \$109,680, 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. The FCC is now in the process of reimbursing Cornerstone for low

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

broadband tower modifications. Cornerstone received \$83,711 and \$74,438 in FCC reimbursements during the years ended December 2022 and 2021, respectively. Submitted requests are not accrued for at year-end, as it is at the FCC's discretion to award the reimbursements.