PARTNERS FOR CHRISTIAN MEDIA, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS FOR CHRISTIAN MEDIA, INC.

INDEX TO REPORT

DECEMBER 31, 2022 AND 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Partners for Christian Media, Inc.
Chattanooga, Tennessee

Report on the Financial Statements

Opinion

We have audited the financial statements of Partners for Christian Media, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, 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 present fairly, in all material respects, the financial position of Partners for Christian Media, Inc. 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 Partners for Christian Media, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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 Partners for Christian Media, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Based on the audit evidence obtained, the auditor has concluded that there are no conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time in accordance with AU-C Section 570, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*.

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.

Chattanooga, Tennessee
May 31, 2023

Henderson Hutcherson & McCullough, PLLC

PARTNERS FOR CHRISTIAN MEDIA, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash	$ 758,535	$ 587,043
Unconditional promises to give, net of estimated uncollectible of $10,000 and $10,000, respectively	196	196
Accounts receivable, net of estimated uncollectible of $25,000 and $25,000, respectively	90,735	107,200
Barter receivables	30,037	35,180
Other receivables	350	329,110
Prepaid expenses	22,155	47,596
Other assets	832	832
Total current assets	902,840	1,107,157
PROPERTY AND EQUIPMENT, NET	570,639	589,349
INTANGIBLES		
Broadcast license, net	1,032,848	1,032,848
OTHER ASSETS		
Right of use asset	664,045	-
Deposits	4,594	4,594
TOTAL ASSETS	$ 3,174,966	$ 2,733,948

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Notes payable - current portion	$ 35,599	$ 34,036
Accounts payable	62,036	47,450
Accrued liabilities	92,094	84,835
Short-term lease liability	130,947	-
Deferred revenue	26,515	41,197
Total current liabilities	347,191	207,518
LONG-TERM LIABILITIES		
Long-term lease liability	534,331	-
Note payable less current maturities	263,893	299,176
Total long-term liabilities	798,224	299,176
Total liabilities	1,145,415	506,694
NET ASSETS		
Net assets without donor restrictions	1,923,807	2,123,371
Net assets with donor restrictions	105,744	103,883
Total net assets	2,029,551	2,227,254
TOTAL LIABILITIES AND NET ASSETS	$ 3,174,966	$ 2,733,948

The accompanying notes are an integral part of the financial statements.

PARTNERS FOR CHRISTIAN MEDIA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Advertising income	$ 802,549	$ -	$ 802,549
Barter income	335,796	-	335,796
Contributions	1,215,804	115,428	1,331,232
Special events income	187,593	-	187,593
Net assets released	113,567	(113,567)	-
Government grant	3,708	-	3,708
Other income	7,393	-	7,393
Sponsorship income	296,335	-	296,335
Total support and revenue	2,962,745	1,861	2,964,606
FUNCTIONAL EXPENSES			
Program services	1,992,855	-	1,992,855
Fundraising	485,058	-	485,058
Management and general	684,396	-	684,396
Total functional expenses	3,162,309	-	3,162,309
CHANGES IN NET ASSETS	(199,564)	1,861	(197,703)
Net assets, beginning	2,123,371	103,883	2,227,254
Net assets, ending	$ 1,923,807	$ 105,744	$ 2,029,551

PARTNERS FOR CHRISTIAN MEDIA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Advertising income	$ 821,141	$ -	$ 821,141
Barter income	281,417	-	281,417
Contributions	1,109,502	125,556	1,235,058
Special events income	3,216	-	3,216
Net assets released	113,982	(113,982)	-
Government grant	587,857	-	587,857
Other income	23,011	-	23,011
Sponsorship income	208,057	-	208,057
Total support and revenue	3,148,183	11,574	3,159,757
FUNCTIONAL EXPENSES			
Program services	1,822,977	-	1,822,977
Fundraising	144,170	-	144,170
Management and general	651,506	-	651,506
Total functional expenses	2,618,653	-	2,618,653
CHANGES IN NET ASSETS	529,530	11,574	541,104
Net assets, beginning	1,593,841	92,309	1,686,150
Net assets, ending	$ 2,123,371	$ 103,883	$ 2,227,254

PARTNERS FOR CHRISTIAN MEDIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services	Fundraising	Management and General	Total
FUNCTIONAL EXPENSES				
Personnel expenses				
Salaries, wages, and commissions	$ 939,603	$ 74,572	$ 477,259	$ 1,491,434
Payroll taxes	62,747	4,980	31,872	99,599
	1,002,350	79,552	509,131	1,591,033
Other expenses				
Automobile expense	36,422	-	-	36,422
Bank and financing fees	21,813	-	21,812	43,625
Contract services	45,734	-	15,245	60,979
Contributions	10,948	-	-	10,948
Depreciation	16,816	-	23,222	40,038
Engineering services	20,100	-	-	20,100
Fundraising	-	343,470	-	343,470
Insurance	71,644	-	-	71,644
Interest expense	14,651	-	-	14,651
Lease expense	132,703	2,823	5,647	141,173
Meals and entertainment	27,021	9,007	24,019	60,047
Miscellaneous	13,711	-	9,140	22,851
Office expense	97,556	-	-	97,556
Postage and freight	6,081	17,026	1,216	24,323
Printing and supplies	8,158	20,396	8,530	37,084
Professional services	23,413	-	23,412	46,825
Programming services and licenses	99,239	-	-	99,239
Promotion and advertising	244,650	-	-	244,650
Property taxes	3,578	894	1,491	5,963
Repairs and maintenance	16,735	1,059	3,389	21,183
Sales department expense	527	176	469	1,172
Telephone and communications	48,645	6,710	28,516	83,871
Travel expense	18,736	2,342	2,342	23,420
Utilities	11,624	1,603	6,815	20,042
Total functional expenses	$ 1,992,855	$ 485,058	$ 684,396	$ 3,162,309

PARTNERS FOR CHRISTIAN MEDIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services	Fundraising	Management and General	Total
FUNCTIONAL EXPENSES				
Personnel expenses				
Salaries, wages , and commissions	$ 830,281	$ 65,895	$ 421,731	$ 1,317,907
Payroll taxes	54,996	4,365	27,935	87,296
	885,277	70,260	449,666	1,405,203
Other expenses				
Auction	7,139	-	-	7,139
Automobile expense	41,022	-	-	41,022
Bad debt expense	-	-	25,780	25,780
Bank and financing fees	19,135	-	19,134	38,269
Contract services	45,751	-	15,250	61,001
Contributions	9,802	-	-	9,802
Depreciation	18,315	-	25,292	43,607
Engineering services	20,100	-	-	20,100
Fundraising	-	18,584	-	18,584
Insurance	75,233	-	-	75,233
Interest expense	15,786	-	-	15,786
Lease expense	131,756	2,803	5,607	140,166
Meals and entertainment	16,422	5,474	14,597	36,493
Miscellaneous	14,896	-	9,930	24,826
Office expense	48,515	-	-	48,515
Postage and freight	4,430	12,405	886	17,721
Printing and supplies	7,683	19,208	8,033	34,924
Professional services	21,170	-	21,170	42,340
Programming services and licenses	103,924	-	-	103,924
Promotion and advertising	221,341	-	-	221,341
Property taxes	3,884	971	1,618	6,473
Repairs and maintenance	10,646	674	2,156	13,476
Sales department expense	442	147	393	982
Telephone and communications	75,824	10,458	44,449	130,731
Travel expense	14,763	1,845	1,846	18,454
Utilities	9,721	1,341	5,699	16,761
Total functional expenses	$ 1,822,977	$ 144,170	$ 651,506	$ 2,618,653

PARTNERS FOR CHRISTIAN MEDIA, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (197,703)	$ 541,104
Adjustment to reconcile change in net assets to net cash from operating activities:		
Gain on sale of assets	-	(2,000)
Depreciation	40,038	43,607
Excess lease expense due to implementation of ASC 842	1,232	
(Increase) decrease in operating assets:		
Accounts receivable	16,465	(38,734)
Barter receivables	5,143	(21,457)
Other receivables	328,760	(328,760)
Prepaid expenses	25,441	(331)
Increase (decrease) in operating liabilities:		
Accounts payable	14,586	23,100
Deferred revenue	(14,682)	14,798
Accrued liabilities	7,259	10,437
Net cash from operating activities	226,539	241,764
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	-	2,000
Purchase of equipment	(21,327)	(6,165)
Net cash from investing activities	(21,327)	(4,165)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(33,720)	(32,238)
Net cash from financing activities	(33,720)	(32,238)
NET CHANGE IN CASH	171,492	205,361
Cash - beginning of year	587,043	381,682
Cash - end of year	$ 758,535	$ 587,043
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 14,651	$ 15,786

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Partners for Christian Media, Inc. (the Organization) is a Tennessee tax-exempt organization that operates WBDX 102.7 FM and WJLJ 103.1 FM radio stations, JFest, JRadio, and Come on Let's Go in the Chattanooga, Tennessee, market area. The Organization broadcasts contemporary Christian music and other Christian programming on a continuous basis reaching portions of Tennessee, Alabama, Georgia, and North Carolina. The Organization receives approximately 46% of its support directly from donor contributions (for which the donors receive no material goods or services in return) and approximately 47% of its support from sponsors of radio programming (sponsorship income, advertising income, and barter income).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The Financial Accounting Standards Board (FASB) establishes GAAP in the Accounting Standards Codification (ASC). Updates to the ASC are done through the issuance of Accounting Standards Updates (ASU).

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with GAAP, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Revenue Recognition

The Organization follows the guidance of ASU 2014-09, *Revenue from Contracts with Customers,* and all subsequent amendments to the ASU (collectively, ASC 606). The majority of the Organization's services fall within the scope of ASC 606.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

ASC 606 outlines a comprehensive five-step revenue recognition model based on the principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The five-step revenue recognition model is as follows:

1) Identify the contract with a customer
2) Identify the performance obligations in the contract
3) Determine the transaction price
4) Allocate the transaction price to performance obligations in the contract
5) Recognize revenue when or as the Organization satisfies a performance obligation

The Organization's revenue arrangements generally consist of a single performance obligation to transfer promised goods and services.

The Organization receives revenues for advertisements broadcast on the radio station. Advertising revenues are recognized when the advertisement is broadcast. Sponsorship revenues include funds received from churches and other organizations for events organized by the Organization. Sponsorship revenues are recognized when the sponsorship is received.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. All allocations are determined by management and allocated based on time and effort.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers cash currently on hand and demand deposits with financial institutions to be cash. The Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents. The Organization did not have any cash equivalents at December 31, 2022 and 2021.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The balance in accounts receivable consists of uncollected sponsorship support, advertising income, and subleasing of broadcast rights income. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts and the aging of the accounts receivable, historical experience, and other currently available evidence. If there is a deterioration of a major customer's credit worthiness, or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the Company could be adversely affected. No interest is accrued on delinquent receivables.

Prepaid Expenses

Prepaid expenses consist primarily of amounts paid on future fundraising events.

Property and Equipment

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value when received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with the explicit restrictions regarding their use and contributions of cash that must be used to acquire, repair, or improve property and equipment are recorded as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of restrictions when the donor's specifications are fulfilled. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions when the donor's specifications are fulfilled. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets.

Intangibles

The Organization accounts for intangibles in accordance with the provisions of FASB ASC 350. The carrying value of intangibles is reviewed for impairment by the Organization at least annually.

Deferred Revenue

Advanced collections of sponsorships are deferred and recognized over the periods to which the events relate.

Promotion and Advertising

Promotion and advertising costs are expensed as incurred. Promotion and advertising expense was $244,650 and $221,341 for the years ended December 31, 2022 and 2021, respectively.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Promises to Give

The Organization has adopted ASC 958*, Not-for-Profit Entities,* in accounting for promises to give, which requires (1) that unconditional promises to give be recognized as contributions and as assets in the period the promise is received, and (2) that unconditional promises to give which are expected to be received in more than one year be recorded at their estimated net realizable value. All promises to give are expected to be received within one year.

The Organization does not have any conditional promises to give as of December 31, 2022 and 2021.

Fair Value of Financial Instruments

The Organization used the carrying amounts reported in the statement of financial position for cash, cash equivalents, promises to give, and accounts receivable as approximating their fair value because of the short maturities of those instruments.

Contributed Service and Free Use of Assets

Many individuals and volunteers contribute their time and perform a variety of tasks and services that assist the Organization. The Organization received more than 350 hours in volunteer services in 2022. The value of these services is not reflected in the accompanying financial statements since such services are not susceptible to objective measurement or valuation.

The Organization obtained free usage of broadcasting equipment, facilities, and licenses of WBDX 102.7 FM by exercising its right to acquire the station in August 1998 through issuance of a note payable to RAAD of Trenton (lessor). All payments made to the lessor (except for specific cost reimbursements made to the seller) from November 1996 to station acquisition in August 1998, were applied as reductions to the face value of the note issued in August 1998.

NOTE 3 – NONCASH TRANSACTIONS

The Organization had noncash operating transactions (barter) during the years ended December 31, 2022 and 2021. Barter revenues of $335,796 and $281,417 for the years ended December 31, 2022 and 2021, respectively, were recorded at the estimated fair value of the advertisement or sponsorship broadcast provided. Barter expenses consisting primarily of meals, maintenance, communications, printing, rents, and promotion in the amount of $349,833 and $268,272 were also recorded during the years ended December 31, 2022 and 2021, respectively at the estimated fair value of the products or services received.

(Continued)

NOTE 3 – NONCASH TRANSACTIONS (Continued)

The Organization also broadcasts some advertisements or sponsorships bartered prior to receiving the goods or services. Therefore, a barter receivable of $30,037 and $35,180 existed at December 31, 2022 and 2021, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Estimated Useful Life	2022	2021
Broadcast equipment	7-12 years	$ 279,852	$ 279,852
Office furniture, fixtures, and equipment	5-7 years	186,955	166,719
Building	39 years	619,224	619,224
Building improvements	15 years	86,507	85,416
		1,172,538	1,151,211
Accumulated depreciation		(601,899)	(561,862)
Property and equipment, net		$ 570,639	$ 589,349

Depreciation expense for the years ended December 31, 2022 and 2021, was $40,038 and $43,607 respectively.

Broadcast equipment includes a radio tower located in Lookout Mountain, Georgia, purchased by the Organization in 2005. The closing of this property has not been completed as of December 31, 2022. The delay in closing is primarily attributable to the existence of an unrecorded access right-of-way/easement to the property. As a result, the seller has been unable to meet the sales contract requirement between the two parties, which requires the seller to deliver "good and marketable title" to the property. Subsequent to December 31, 2022, no formal claim or litigation has been filed by the Organization, although written demand for the seller's strict compliance with the sales contract has been delivered to the seller's legal counsel.

NOTE 5 – INTANGIBLES

The Organization has capitalized the excess of the amount paid for the WBDX 102.7 FM station over the fair market value of the broadcasting equipment acquired with the amortization amount reflected on the statement of activities as a broadcast license. Through the year 2001, the broadcast license was being amortized by the straight-line method over a period of 40 years. With the implementation of ASC Topic 350, *Intangibles – Goodwill and Other*, intangibles are no longer amortized but instead are tested for impairment. For the year ended December 31, 2022, the broadcast license was not impaired.

Amount paid for Station WBDX 102.7 FM	$ 1,189,395
Fair market value of assets acquired	(61,371)
Amount recorded as broadcast license	1,128,024
Accumulated amortization through 12/31/01	(95,176)
Broadcast license, net	$ 1,032,848

NOTE 6 – NOTE PAYABLE

A summary of notes payable at December 31, are as follows:

	2022	2021
Note payable to Gerald King, interest is at 4.50%; monthly installments of principal and interest of $4,002; matures April 2030.	$ 299,492	$ 333,212
Current maturities of long-term debt	(35,599)	(34,036)
Note payable, net of current maturities	$ 263,893	$ 299,176

Scheduled principal repayments on the note payable is as follows:

Year Ending December 31,	
2023	$ 35,599
2024	37,235
2025	38,945
2026	40,734
2027	42,606
Thereafter	104,373
Total	$ 299,492

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, net assets with donor restrictions consisted of the following:

	2022	2021
Passage of time		
Unconditional promises to give, net	$ 196	$ 196
Specific purpose		
Come On Let's Go campaign	105,548	103,687
Total	$ 105,744	$ 103,883

NOTE 8 – GOVERNMENT GRANT

The Organization was eligible for and received loan funds totaling $259,097 through the Paycheck Protection Program (PPP) operated by the U.S. Small Business Administration (SBA) for the year ended December 31, 2021. Under the terms of this program, the loan may be forgiven if the funds were spent in accordance with the program. On April 20, 2022, the Organization received notification from the SBA that the entire amount of the $259,097 loan was forgiven.

(Continued)

NOTE 8 – GOVERNMENT GRANT (Continued)

The Organization recognized government grant revenue related to the Employer Retention Credit (ERC) during the year ended December 31, 2021 totaling $328,760. These credits were provided to promote continued employment to small businesses harmed by the coronavirus disease (COVID-19). At December 31, 2021, there is $328,760 included on the statements of financial position in other receivables related to the ERC.

These funds are included in the statements of activities and changes in net assets as government grant totaling $587,857 for the year ended December 31, 2021.

NOTE 9 – OFF-BALANCE SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at one financial institution. Accounts at the institution are secured by the Federal Deposit Insurance Corporation up to $250,000. There was $444,430 and $282,653 of uninsured cash balances at December 31, 2022 and 2021, respectively, however, the cash balance is subject to significant fluctuations throughout the year.

The Organization receives pledge commitments from its listeners. These pledge amounts are not secured and therefore may not be collected.

NOTE 10 – DESCRIPTION OF LEASING ARRANGEMENTS

Effective January 1, 2022, the Company adopted the new lease accounting guidance in ASU 2016-02, *Leases* (ASC Topic 842). The Company has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Company accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, the Company recognized on January 1, 2022 (a) a lease liability of $793,109, which represents the present value of the remaining lease payments discounted using the risk free discount rate of 1.91%, and (b) a right-of-use asset of $793,109.

The Organization entered into an operating lease for storage space in East Ridge, Tennessee for an initial 5-year period commencing in March 2018 and expiring in February 2023. The monthly payment was $610 with a 2% annual increase. The lease was extended for an additional period of twelve months expiring in February 2024. The monthly payment as of December 31, 2022 was $660.

The Organization leases broadcasting rights for WJLJ 103.1 FM (in the Cleveland/Athens, Tennessee market area), and the related broadcasting facilities and equipment, under a cancelable operating lease. The monthly payment is $9,500 and the lease expires on December 31, 2024. The lease will automatically renew for a 3-year term unless either party notifies the other in writing. In addition to the minimum lease payments, the Organization pays the lessor for certain monthly expenses periodically billed by the lessor, which are associated with the station's operation.

(Continued)

NOTE 10 – DESCRIPTION OF LEASING ARRANGEMENTS (Continued)

The Organization also leases a portion of space upon two communication towers for the reception and transmission of communication signals. The tower lease with Bradley County EMA is set to expire in June 2026. However, this lease has an option to renew for two additional three-year periods. The monthly rate as of December 31, 2022 was $750. The Pinnacle tower lease is set to expire in April 2024. The monthly rate as of December 31, 2022 was $766.

Operating lease cost for the year ended December 31, 2022 was $141,173.

Future minimum lease payments are as follows:

Year Ending December 31,

2023	$ 142,268
2024	129,651
2025	125,114
2026	125,392
2027	125,670
Thereafter	54,263
Total undiscounted cash flows	702,358
Less: present value discount	(37,080)
Total undiscounted cash flows	$ 665,278

NOTE 11 – UNCERTAIN TAX POSITIONS

The Organization follows the accounting guidance for uncertainty in income taxes using the provisions of FASB ASC Topic 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. Such tax positions initially and subsequently need to be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts.

The Organization has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits. The Organization's evaluation was performed for tax years ended December 31, 2019 through December 31, 2022, the years that remain subject to examination by major tax jurisdictions as of December 31, 2022.

NOTE 12 – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

	2022	2021
Financial assets at year-end:		
Cash	$ 758,535	$ 587,043
Unconditional promises to give	196	196
Accounts receivable	90,735	107,200
Barter receivables	30,037	35,180
Other receivables	350	329,110
Other assets	832	832
Total financial assets	880,685	1,059,561
Less amounts not available to be used within one year:		
Net assets with donor restrictions	105,744	103,687
Less net assets with purpose restrictions to be met in less than a year	(105,744)	(103,687)
	-	-
Financial assets available to meet general expenditures over the next twelve months	$ 880,685	$ 1,059,561

Partners for Christian Media, Inc. is substantially supported by restricted and unrestricted contributions, as well as by sponsors of radio programming. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. However, all net assets with donor restrictions have purpose restrictions that are to be met in less than a year, therefore, financial assets should be available for general expenditure within one year.

As part of the Organization's cash management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization has approximately 27% of its estimated annual functional expenditures in cash.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to December 31, 2022 through May 31, 2023 (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.