



Financial Statements  
June 30, 2023 and 2022

# Friends of South Dakota Public Broadcasting

# Friends of South Dakota Public Broadcasting

## Table of Contents

June 30, 2023 and 2022

---

Independent Auditor's Report .....	1
Financial Statements	
Statements of Financial Position .....	3
Statement of Activities .....	5
Statement of Functional Expenses .....	7
Statements of Cash Flows .....	9
Notes to Financial Statements .....	11



## Independent Auditor's Report

The Board of Directors  
Friends of South Dakota Public Broadcasting  
Sioux Falls, South Dakota

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of Friends of South Dakota Public Broadcasting (the Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***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 of the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

#### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, the Organization has adopted the provisions of FASB Accounting Standards Codification Topic 842, *Leases*, as of July 1, 2022 using the modified retrospective approach with an adjustment at the beginning of the adoption period. Our conclusion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities of 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 the Organization'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 Organization'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.

A handwritten signature in cursive script that reads "Eric Bailly LLP".

Sioux Falls, South Dakota  
October 16, 2023

Friends of South Dakota Public Broadcasting  
Statements of Financial Position  
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 578,958	\$ 599,140
Restricted cash	178,475	-
Underwriting receivables	88,959	86,674
Promises to give	203,028	113,407
Prepaid expenses	<u>40,531</u>	<u>32,870</u>
Total current assets	<u>1,089,951</u>	<u>832,091</u>
Assets Limited as to Use		
Investments	<u>3,689,327</u>	<u>3,491,182</u>
Property and Equipment		
Leasehold improvements	406,475	406,475
Furniture and equipment	<u>66,445</u>	<u>66,445</u>
	472,920	472,920
Less accumulated depreciation	<u>(213,514)</u>	<u>(185,032)</u>
	259,406	287,888
Construction in progress	<u>394,000</u>	<u>-</u>
Total property and equipment	<u>653,406</u>	<u>287,888</u>
Other Assets		
Promises to give, net of current portion	61,495	159,675
Beneficial interest in assets held by community foundations	3,711,843	3,309,894
Beneficial interest in charitable trust	174,901	172,631
Operating lease right of use asset	<u>1,648,035</u>	<u>-</u>
Total other assets	<u>5,596,274</u>	<u>3,642,200</u>
	<u><u>\$ 11,028,958</u></u>	<u><u>\$ 8,253,361</u></u>

Friends of South Dakota Public Broadcasting  
Statements of Financial Position  
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of operating lease liability	\$ 117,870	\$ -
Accounts payable and accrued liabilities	97,819	87,061
Construction in progress accounts payable	394,000	-
Deferred revenue	<u>75,219</u>	<u>69,239</u>
Total current liabilities	684,908	156,300
Operating Lease Liability, Net of Current Portion	<u>1,553,991</u>	<u>-</u>
Total liabilities	<u>2,238,899</u>	<u>156,300</u>
Net Assets		
Without donor restrictions		
Undesignated	336,911	779,669
Designated by the Board for endowment	<u>3,689,327</u>	<u>3,491,182</u>
	4,026,238	4,270,851
With donor restrictions	<u>4,763,821</u>	<u>3,826,210</u>
Total net assets	<u>8,790,059</u>	<u>8,097,061</u>
	<u>\$ 11,028,958</u>	<u>\$ 8,253,361</u>

# Friends of South Dakota Public Broadcasting

## Statement of Activities

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Membership contributions	\$ 2,071,062	\$ -	\$ 2,071,062
Grants, gifts, and donations	376,341	817,161	1,193,502
Underwriting	1,119,513	-	1,119,513
Net investment return	187,187	-	187,187
Change in value of beneficial interests in assets held by community foundations	-	364,923	364,923
Change in value of beneficial interest in charitable trust	-	2,270	2,270
Miscellaneous	33	-	33
Net assets released from restrictions	246,743	(246,743)	-
Total revenue and other support	4,000,879	937,611	4,938,490
Expenses			
Program services expenses	2,262,439	-	2,262,439
Supporting services expenses			
Management and general	419,669	-	419,669
Fundraising	1,563,384	-	1,563,384
Total supporting services expenses	1,983,053	-	1,983,053
Total expenses	4,245,492	-	4,245,492
Change in Net Assets	(244,613)	937,611	692,998
Net Assets, Beginning of Year	4,270,851	3,826,210	8,097,061
Net Assets, End of Year	\$ 4,026,238	\$ 4,763,821	\$ 8,790,059

Friends of South Dakota Public Broadcasting  
Statement of Activities  
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Membership contributions	\$ 2,007,735	\$ -	\$ 2,007,735
Grants, gifts, and donations	2,094,996	143,079	2,238,075
Underwriting	974,188	-	974,188
Net investment return	(179,860)	-	(179,860)
Change in value of beneficial interests in assets held by community foundations	-	(438,988)	(438,988)
Change in value of beneficial interest in charitable trust	-	(38,068)	(38,068)
Miscellaneous	235	-	235
Net assets released from restrictions	216,266	(216,266)	-
Total revenue and other support	5,113,560	(550,243)	4,563,317
Expenses			
Program services expenses	1,935,402	-	1,935,402
Supporting services expenses			
Management and general	274,734	-	274,734
Fundraising	1,458,619	-	1,458,619
Total supporting services expenses	1,733,353	-	1,733,353
Total expenses	3,668,755	-	3,668,755
Change in Net Assets	1,444,805	(550,243)	894,562
Net Assets, Beginning of Year	2,826,046	4,376,453	7,202,499
Net Assets, End of Year	\$ 4,270,851	\$ 3,826,210	\$ 8,097,061



# Friends of South Dakota Public Broadcasting

## Statement of Functional Expenses

Year Ended June 30, 2023

	Program Supporting SDPB	Management and General	Fundraising				Total
			Membership	Major Giving	Underwriting	Total	
Salaries	\$ -	\$ 177,164	\$ 226,142	\$ 190,248	\$ 273,868	\$ 690,258	\$ 867,422
Employee benefits	-	42,107	55,170	49,447	44,749	149,366	191,473
Travel	-	1,066	5,882	16,645	16,680	39,207	40,273
Dues and subscriptions	-	3,593	5,924	1,800	1,633	9,357	12,950
Meetings	-	19,039	16,776	24,741	9,518	51,035	70,074
Contract services	-	-	-	6,000	15,218	21,218	21,218
Office supplies	-	8,506	37,446	5,603	13,479	56,528	65,034
Insurance	-	9,876	-	-	-	-	9,876
Postage	-	1,778	29,512	870	537	30,919	32,697
Telephone	-	7,246	28,615	2,343	2,399	33,357	40,603
Professional services	-	104,867	-	-	-	-	104,867
Occupancy	-	1,752	4,406	1,194	796	6,396	8,148
Advertising and promotion	-	29,167	500	26,526	7,843	34,869	64,036
Direct mail	-	-	247,204	-	-	247,204	247,204
Telemarketing	-	-	41,980	-	-	41,980	41,980
Membership recognition	-	-	841	9,663	-	10,504	10,504
Bank fees	-	-	64,920	-	-	64,920	64,920
Operating lease expense	-	6,182	15,549	4,214	2,810	22,573	28,755
Depreciation	-	6,123	15,401	4,175	2,783	22,359	28,482
Bad debt expense	-	-	-	17,880	-	17,880	17,880
Other	-	1,203	499	120	12,835	13,454	14,657
Contributions to South Dakota Public Broadcasting (SDPB)							
Direct	1,432,372	-	-	-	-	-	1,432,372
Indirect	830,067	-	-	-	-	-	830,067
	<u>\$ 2,262,439</u>	<u>\$ 419,669</u>	<u>\$ 796,767</u>	<u>\$ 361,469</u>	<u>\$ 405,148</u>	<u>\$ 1,563,384</u>	<u>\$ 4,245,492</u>

# Friends of South Dakota Public Broadcasting

## Statement of Functional Expenses

Year Ended June 30, 2022

	Program Supporting SDPB	Management and General	Fundraising				
			Membership	Major Giving	Underwriting	Total	Total
Salaries	\$ -	\$ 74,917	\$ 247,637	\$ 199,909	\$ 201,134	\$ 648,680	\$ 723,597
Employee benefits	-	23,305	61,022	62,176	28,347	151,545	174,850
Travel	-	2,028	5,919	11,763	12,991	30,673	32,701
Dues and subscriptions	-	5,990	4,060	-	-	4,060	10,050
Meetings	-	25,611	9,659	37,528	4,556	51,743	77,354
Contract services	-	4,406	107	29,190	5,018	34,315	38,721
Office supplies	-	22,044	46,411	7,740	12,340	66,491	88,535
Insurance	-	6,785	-	-	-	-	6,785
Postage	-	2,443	26,259	-	451	26,710	29,153
Telephone	-	4,002	29,969	2,230	1,428	33,627	37,629
Professional services	-	61,341	-	-	-	-	61,341
Occupancy	-	577	24,703	577	577	25,857	26,434
Advertising and promotion	-	1,816	-	312	6,254	6,566	8,382
Direct mail	-	-	215,078	-	-	215,078	215,078
Telemarketing	-	-	57,507	-	-	57,507	57,507
Membership recognition	-	16,610	9,958	9,159	-	19,117	35,727
Bank fees	-	21,306	54,606	-	-	54,606	75,912
Depreciation	-	621	26,617	621	621	27,859	28,480
Other	-	932	147	-	4,038	4,185	5,117
Contributions to South Dakota							
Public Broadcasting (SDPB)							
Direct	1,333,573	-	-	-	-	-	1,333,573
Indirect	601,829	-	-	-	-	-	601,829
	<u>\$ 1,935,402</u>	<u>\$ 274,734</u>	<u>\$ 819,659</u>	<u>\$ 361,205</u>	<u>\$ 277,755</u>	<u>\$ 1,458,619</u>	<u>\$ 3,668,755</u>

# Friends of South Dakota Public Broadcasting

## Statements of Cash Flows Years Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ 692,998	\$ 894,562
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	28,482	28,480
Realized and unrealized (gains) losses on investments	(113,819)	198,350
Contributions received, net of amounts restricted for long-term purposes	(217,042)	-
Change in value of beneficial interests in assets held by community foundations	(364,923)	438,988
Change in value of beneficial interest in charitable trust	(11,266)	27,256
Changes in operating assets and liabilities		
Underwriting receivables	(2,285)	(19,621)
Promises to give	34,809	300,557
Prepaid expenses	(7,661)	(1,640)
Accounts payable and accrued liabilities	10,758	20,398
Deferred revenue	5,980	925
Operating lease assets and liabilities	23,826	-
Net Cash from Operating Activities	<u>79,857</u>	<u>1,888,255</u>
Investing Activities		
Purchase of property and equipment	-	(6,333)
Contribution to community foundation, net of distributions received	(37,026)	(13,502)
Proceeds from sales of investments	90,650	659,539
Purchases of investments	(174,976)	(2,317,393)
Net Cash used for Investing Activities	<u>(121,352)</u>	<u>(1,677,689)</u>
Financing Activities		
Distribution received from charitable trust	8,996	10,812
Collections of contributions restricted for studio renovations	190,792	-
Net Cash from Financing Activities	<u>199,788</u>	<u>10,812</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	158,293	221,378
Cash, Cash Equivalents, and Restricted Cash, Beginning	<u>599,140</u>	<u>377,762</u>
Cash, Cash Equivalents, and Restricted Cash, Ending	<u><u>\$ 757,433</u></u>	<u><u>\$ 599,140</u></u>

# Friends of South Dakota Public Broadcasting

## Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 578,958	\$ 599,140
Restricted cash	<u>178,475</u>	<u>-</u>
	<u><u>\$ 757,433</u></u>	<u><u>\$ 599,140</u></u>
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Property and equipment additions included in construction in progress accounts payable	\$ 394,000	\$ -
Lease liabilities arising from obtaining right of use assets	15,512	-

**Note 1 - Principal Activities and Significant Accounting Policies****Nature of Activities**

Friends of South Dakota Public Broadcasting (Organization) solicits funds in the name of, and with the approval of, the South Dakota Board of Directors for Educational Telecommunications. Created in 1974 as a nonprofit South Dakota organization, the Organization is a component unit of the South Dakota Board of Directors for Educational Telecommunications agency.

The Friends of South Dakota Public Broadcasting supports lifelong learning for all South Dakotans through advocacy, leadership and responsible fundraising on behalf of South Dakota Public Broadcasting (SDPB).

**Cash and Cash Equivalents**

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for endowments that are perpetual in nature or other long-term purposes of the Organization are excluded from this definition.

**Restricted Cash**

Restricted cash includes cash and cash equivalents that is donor restricted to be used for renovations for the Black Hills studio.

**Receivables and Credit Policy**

Underwriting receivables consist primarily of noninterest-bearing amounts due for on-air technical and informative announcements to listeners of SDPB. Allowance for uncollectible underwriting receivables are determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Underwriting receivables are written off when deemed uncollectible. At June 30, 2023 and 2022, no allowance was deemed necessary. The Organization's underwriting accounts receivables as of July 1, 2021 was \$67,053.

**Promises to Give**

The Organization records unconditional promises to give when received. Allowance for uncollectible promises to give are determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At of June 30, 2023 and 2022, the allowance was \$7,880 and \$0, respectively.

**Property and Equipment**

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to fifteen years, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

**Beneficial Interest in Charitable Trust**

The Organization has been named as an irrevocable beneficiary of a charitable trust held and administered by an independent trustee. This trust was created independently by the donor and is administered by an outside agent designated by the donor. The Organization has neither possession nor control over the assets of the trust. At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statements of activities and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust. Thereafter, beneficial interests in trusts are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities. Under this trust agreement, the Organization receives an annual distribution from the trust for a period of twenty years. At the end of the twenty year period, the Organization will receive a proportionate share of the trust's remaining value.

**Beneficial Interest in Assets Held by Community Foundations**

Beneficial interest in assets held by community foundations represents funds transferred to community foundations by the Organization where the Organization has specified itself as beneficiary. The Organization granted variance power to the community foundations which allows the community foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the community foundations' Board of Directors, such as restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The funds are held and invested by the community foundations for the benefit of the Organization and are reported at fair value in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

**Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Revenue Recognition and Deferred Revenue**

The Organization recognizes revenue as the related services are provided as outlined in each respective underwriting contract. The performance obligations with respect to underwriting are satisfied as the related benefits are delivered over the term of the respective contract. Amounts collected in advance of the Organization's satisfaction of its contractual performance obligations are considered deferred revenue and is recognized when the Organization satisfies the related performance obligations.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met.

**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated such as occupancy, operating lease expense, and depreciation, are allocated on a square footage basis.

**Income Taxes**

The Organization is organized as a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), which qualify for the charitable contribution deduction. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

**Financial Instruments and Credit Risk**

The Organization manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts.

The Organization maintains cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each ownership category. At June 30, 2023 and 2022, the Organization had approximately \$369,000 and \$246,000, respectively, in excess of FDIC-insured limits.



Credit risk associated with underwriting receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from members, corporations, and foundations supportive of the Organization's mission. Investments are made by investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications have no impact on previously reported net assets.

**Change in Accounting Principle**

Effective July 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The Organization elected to apply the guidance as of July 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC 840. The standard requires the recognition of right of use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the statement of functional expenses as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases as either finance or 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 Organization recognized on July 1, 2022, the beginning of the adoption period, no cumulative effect adjustment to net assets, an operating lease liability of \$1,770,005, and an operating right of use asset of \$1,770,005. The adoption of the new standard did not materially impact the Organization's statement of activities or statement of cash flows. See Note 6 for further disclosure of the Organization's lease contracts.

**Subsequent Events**

Management has evaluated subsequent events through October 16, 2023, the date that the financial statements were available to be issued.

**Note 2 - Liquidity and Availability**

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

	2023	2022
Cash and cash equivalents	\$ 578,958	\$ 599,140
Underwriting receivable	88,959	86,674
Promises to give	176,778	113,407
	<u>\$ 844,695</u>	<u>\$ 799,221</u>

The Organization intends to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The Organization has a board-designated endowment. Although the Organization does not intend to spend from this board-designated endowment, these amounts could be made available if necessary.

**Note 3 - Fair Value of Assets**

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the Organization develops inputs using the best information available in the circumstances.

# Friends of South Dakota Public Broadcasting

## Notes to Financial Statements

June 30, 2023 and 2022

Assets measured at fair value on a recurring basis at June 30, 2023 and 2022, respectively, are as follows:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>June 30, 2023</u>				
Money market funds (at cost)	\$ 566,178	\$ -	\$ -	\$ -
Equity ETFs	1,521,671	1,521,671	-	-
Fixed income ETFs	973,507	973,507	-	-
U.S. Treasury bonds and notes	587,190	-	587,190	-
Other	40,781	-	40,781	-
Total investments valued at fair value	<u>3,689,327</u>	<u>2,495,178</u>	<u>627,971</u>	<u>-</u>
Beneficial interests in				
Assets held by community foundations	3,711,843	-	-	3,711,843
Charitable trust	<u>174,901</u>	<u>-</u>	<u>-</u>	<u>174,901</u>
	<u>\$ 7,576,071</u>	<u>\$ 2,495,178</u>	<u>\$ 627,971</u>	<u>\$ 3,886,744</u>
<u>June 30, 2022</u>				
Money market funds (at cost)	\$ 1,640,710	\$ -	\$ -	\$ -
Equity ETFs/Common Stock	884,514	884,514	-	-
Fixed income ETFs	705,234	705,234	-	-
U.S. Treasury bonds and notes	220,692	-	220,692	-
Other	40,032	-	40,032	-
Total investments valued at fair value	<u>3,491,182</u>	<u>1,589,748</u>	<u>260,724</u>	<u>-</u>
Beneficial interests in				
Assets held by community foundations	3,309,894	-	-	3,309,894
Charitable trust	<u>172,631</u>	<u>-</u>	<u>-</u>	<u>172,631</u>
	<u>\$ 6,973,707</u>	<u>\$ 1,589,748</u>	<u>\$ 260,724</u>	<u>\$ 3,482,525</u>

The fair value of exchange traded funds and stocks are determined by references to quoted market prices. The fair value of U.S. Treasury bonds and notes and other investments is determined by reference to similar assets that are directly or indirectly observable in the marketplace. The fair value of the beneficial interest in charitable trust is estimated at the present value of the expected future cash flows. The fair value of the beneficial interests in assets held by the community foundation is based on the fair value of the fund investments as reported by the community foundation.

# Friends of South Dakota Public Broadcasting

Notes to Financial Statements

June 30, 2023 and 2022

Following is a reconciliation for Level 3 assets measured on a recurring basis for the years ended June 30, 2023 and 2022:

	Beneficial Interests in	
	Community Foundations	Charitable Trust
Balance at July 1, 2021	\$ 3,735,380	\$ 210,699
Total gains or losses		
Included in change in net assets, net of fees	(438,988)	(27,256)
Purchases and sales		
Purchases (contributions to the CF)	29,221	-
Sales (distributions)	(15,719)	(10,812)
Balance at June 30, 2022	3,309,894	172,631
Total gains or losses		
Included in change in net assets, net of fees	364,923	11,266
Purchases and sales		
Purchases (contributions to the CF)	50,754	-
Sales (distributions)	(13,728)	(8,996)
Balance at June 30, 2023	<u>\$ 3,711,843</u>	<u>\$ 174,901</u>

There were no transfers into or out of Level 3.

## Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2023 and 2022:

	2023	2022
Within one year	\$ 210,408	\$ 113,407
In one to five years	61,195	158,475
Over five years	800	1,200
	272,403	273,082
Less uncollectible promises to give	(7,880)	-
	<u>\$ 264,523</u>	<u>\$ 273,082</u>

At June 30, 2023 and 2022, two donors and four donors account for 44% and 37% of total promises to give, respectively. As of June 30, 2023 and 2022, \$17,140 and \$17,170 of the total promises to give are from board members of the Organization, respectively.

**Note 5 - Beneficial Interest in Assets Held by Community Foundations**

**Agency Funds**

Agency endowment funds have been established with various Community Foundations (CFs) that names this Organization as the designated beneficiary of distributions from these funds. The CFs distribute a portion of the endowment to the Organization each year, up to 5% of the 12-quarter trailing average balance for Sioux Falls. The Organization granted variance power to these CFs which allows these CFs to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CFs' Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The market value of these funds, plus net investment return, less distributions and fees at June 30, 2023 and 2022 is as follows:

	Sioux Falls	South Dakota	Black Hills	Total
Balance, July 1, 2021	\$ 3,334,862	\$ 118,901	\$ 281,617	\$ 3,735,380
Contributions	-	-	29,221	29,221
Net investment return	(357,679)	(11,806)	(39,692)	(409,177)
Investment management fees	(24,834)	(1,013)	(3,964)	(29,811)
Distributions	-	(6,048)	(9,671)	(15,719)
Balance, June 30, 2022	2,952,349	100,034	257,511	3,309,894
Contributions	-	5,000	45,754	50,754
Net investment return	349,164	8,047	35,574	392,785
Investment management fees	(22,928)	(869)	(4,065)	(27,862)
Distributions	-	(3,364)	(10,364)	(13,728)
Balance, June 30, 2023	<u>\$ 3,278,585</u>	<u>\$ 108,848</u>	<u>\$ 324,410</u>	<u>\$ 3,711,843</u>

# Friends of South Dakota Public Broadcasting

Notes to Financial Statements

June 30, 2023 and 2022

## Designated Funds

Designated funds that name the Organization as a beneficiary that were directly established at the CFs by various donors are not recorded as assets for the Organization. The CFs have been granted variance power by the donors which allows the foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization. If, in the sole judgement of the CF's Board of Directors, such restrictions or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The market value of these funds, plus income or losses and less distributions and fees at June 30, 2023 and 2022 is as follows:

	Sioux Falls	South Dakota	Watertown	Total
Balance, July 1, 2021	\$ 1,339,014	\$ 145,642	\$ 9,966	\$ 1,494,622
Contributions	-	8,550	3,050	11,600
Net investment return	(179,742)	(14,126)	(1,366)	(195,234)
Investment management fees	(9,575)	(1,329)	(108)	(11,012)
Distributions	-	(5,062)	-	(5,062)
Balance, June 30, 2022	1,149,697	133,675	11,542	1,294,914
Contributions	-	4,550	5,100	9,650
Net investment return	110,496	10,755	1,302	122,553
Investment management fees	(8,854)	(1,226)	(148)	(10,228)
Distributions	-	(6,041)	-	(6,041)
Balance, June 30, 2023	<u>\$ 1,251,339</u>	<u>\$ 141,713</u>	<u>\$ 17,796</u>	<u>\$ 1,410,848</u>

## Note 6 - Leases

The Organization leases office space and equipment for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through June 2031 and provide for renewable options ranging from five to ten years. The Organization included in the determination of the right of use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The leases provide for increases in future minimum annual rental payments based on defined terms within the agreements.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization applied the risk-free rate option to the building and office equipment classes of assets.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

# Friends of South Dakota Public Broadcasting

Notes to Financial Statements

June 30, 2023 and 2022

The Organization has elected the practical expedient to not separate lease and non-lease components for equipment leases.

Total operating lease costs was \$166,120 for the year ended June 30, 2023, which \$28,755 is the Organization's portion and the remaining is paid by the Organization on behalf of SDPB (Note 11).

Total lease expense under the guidance of in Topic 840 for all rental agreements was \$171,944 for the year ended June 30, 2022, which \$26,433 is the Organization's portion and the remaining is paid by the Organization on behalf of SDPB (Note 11).

The following table summarizes the supplemental cash flow information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 142,295
Right of use assets obtained in exchange for lease liabilities	
Operating leases	15,512

The following summarizes the weighted-average remaining lease term and weighted average discount rate:

Weighted-average remaining lease term in years	10.00
Weighted-average discount rate	2.67%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30, 2023:

2024	\$ 144,573
2025	146,521
2026	146,868
2027	148,745
2028	148,930
Thereafter	<u>1,112,150</u>
Total lease payments	1,847,787
Less interest	<u>(175,926)</u>
Present value of lease liabilities	<u>\$ 1,671,861</u>

Future minimum payments determined under the guidance in Topic 840 are listed below as of June 30, 2022:

2023	\$ 172,705
2024	175,158
2025	135,973
2026	130,188
2027	132,792
Thereafter	<u>558,262</u>
Total lease payments	<u>\$ 1,305,078</u>

### Note 7 - Endowment

The Organization's endowment consists of funds that have been gifted to the Organization by donors without restrictions and have been designated as funds functioning as endowment by the Board of Directors. In the event that funds received by the Organization in the future are endowed by the donor, they will be treated as net assets with donor restrictions. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization



# Friends of South Dakota Public Broadcasting

Notes to Financial Statements

June 30, 2023 and 2022

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 3,689,327	\$ -	\$ 3,689,327

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 3,491,182	\$ -	\$ 3,491,182

Changes in Endowment net assets for the years ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,491,182	\$ -	\$ 3,491,182
Investment return, net	187,576	-	187,576
Contributions	10,569	-	10,569
Appropriation of endowment assets	-	-	-
Endowment net assets, end of year	\$ 3,689,327	\$ -	\$ 3,689,327

Changes in Endowment net assets for the years ended June 30, 2022 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,031,678	\$ -	\$ 2,031,678
Investment return, net	(176,977)	-	(176,977)
Contributions	1,636,481	-	1,636,481
Appropriation of endowment assets	-	-	-
Endowment net assets, end of year	\$ 3,491,182	\$ -	\$ 3,491,182

**Investment and Spending Policies**

Investment and spending policies for the Endowment were adopted that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets to provide the necessary capital to fund the spending policy and to cover the costs of managing the Endowment investments. During the course of a complete market cycle, the total return objective shall be to achieve a return greater than capital market returns with similarly weighted asset allocation. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A portion of the funds are invested to seek growth of principal over time.

An endowment spending-rate formula is used to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters at the end of each fiscal year to determine the spending amount for the upcoming year. The spending rate maximum is 5 percent. In establishing this policy, the Board of Directors considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time. The Board of Directors may elect to defer any such spending and retain any or all such amounts in the endowment.

**Note 8 - Employee Benefits**

The Organization sponsors a tax-deferred 401(k) plan. The plan provides that employees who work 20 hours per week may voluntarily contribute 6 percent or more of their earnings to the plan. Employer contributions are matched by the Organization up to 6 percent after the first year of employment. Contributions to the 401(k) plan were \$63,224 and \$41,662 for the years ended June 30, 2023 and 2022, respectively.

**Note 9 - Net Assets with Donor Restrictions**

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

	2023	2022
Subject to Expenditure for Specified Purpose		
Sound Vision campaign	\$ -	\$ 95,603
Early learning	178,043	-
Black Hills studio renovation	178,475	-
Mitchell tower	216,138	-
Diversity, equity, and inclusion (DEI)	40,000	-
	<u>612,656</u>	<u>95,603</u>
Subject to the Passage of Time and Expenditure for Specified Purpose		
Promises to give that are restricted by donors, and also are unavailable for expenditure until due	264,421	248,082
Subject to the Passage of Time		
Beneficial interest in charitable trust	174,901	172,631
Endowment		
Beneficial interest in assets held by Community Foundations	<u>3,711,843</u>	<u>3,309,894</u>
	<u>\$ 4,763,821</u>	<u>\$ 3,826,210</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Expiration of time restrictions	\$ 151,140	\$ 216,266
Satisfaction of purpose restrictions		
Sound Vision campaign	<u>95,603</u>	<u>-</u>
	<u>\$ 246,743</u>	<u>\$ 216,266</u>

**Note 10 - Revenue from Underwriting Contracts**

The following table provides information about significant changes in deferred revenue for the years ended June 30, 2023 and 2022.

	2023	2022
Deferred revenue, beginning of period	\$ 69,239	\$ 68,314
Revenue recognized that was included in deferred revenue at the beginning of the year	(69,239)	(68,314)
Increases in deferred revenue due to cash received during the year	75,219	69,239
Deferred revenue, end of period	<u>\$ 75,219</u>	<u>\$ 69,239</u>

**Note 11 - South Dakota Public Broadcasting**

The Organization provides substantial amount of support to South Dakota Public Broadcasting (SDPB) for programming. SDPB produces and broadcasts commercial-free programs and outreach projects. The Organization provided \$1,432,372 and \$1,333,573 in support to SDPB for the years ended June 30, 2023 and 2022, respectively.

Certain expenses related to SDPB's operations, including some salaries and rent, are paid by the Organization, which were \$333,150 and \$213,233 for the years ended June 30, 2023 and 2022, respectively. In addition, the Organization paid \$386,341 and \$277,356 on behalf of SDPB for operating expenses for the years ended June 30, 2023 and 2022, respectively.

The Organization paid \$110,576 and \$111,240 for the years ended June 30, 2023 and 2022, respectively, on behalf of SDPB for fees on a contract with South Dakota High School Activities Association.

**Note 12 - Commitments and Contingencies**

During 2023, the Organization began renovation of additional space at the Rapid City location, which will be added to the lease when renovation is finished and the Organization takes possession of the space. At June 30, 2023, the Organization's portion of the renovation is estimated at \$394,000, but is still being negotiated, and the renovation is near completion.