

# **Educational Media Foundation**

**Rocklin, California**

CONSOLIDATED FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT

**December 31, 2022**



K C O E  
I S O M

# Educational Media Foundation

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December 31, 2022

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Educational Media Foundation  
Rocklin, California

### ***Opinion***

We have audited the consolidated financial statements of Educational Media Foundation and subsidiaries (EMF), which comprise the consolidated statement of financial position as of December 31, 2022; the related consolidated statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of EMF as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of EMF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements***

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

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

## INDEPENDENT AUDITORS' REPORT

(Continued)

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 consolidated 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 EMF'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EMF'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.

*KCae Jnom, LLP*

June 21, 2023  
Chico, California

**Educational Media Foundation**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

December 31, 2022

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 132,125,996
Unconditional promises to give - net of discounts	13,818,659
Prepaid expenses	5,115,100
Current portion of notes receivable	1,800
Inventories	2,014,851
Other receivables	4,104,285

**Total Current Assets** 157,180,691

**Property and Equipment**

Net of accumulated depreciation 86,189,344

**Other Assets**

Deposits and other	1,118,324
Investments in film	8,788,672
Notes receivable - net of current portion	12,998
Investments	119,191,350
FCC radio licenses, permits, and application costs	601,149,556
Trademarks	13,865,241
Goodwill	3,976,746
Right-of-use assets	51,819,977

**Total Other Assets** 799,922,864

**TOTAL ASSETS** \$ 1,043,292,899

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable and accrued expenses	\$ 34,448,547
Current portion of long-term debt	1,558,408
Current portion of operating lease liability	13,585,329

**Total Current Liabilities** 49,592,284

**Long-Term Debt**

Long-term debt - net of current portion and unamortized debt issuance costs	13,160,082
Operating lease liability - net of current portion	38,422,138

**Total Liabilities** 101,174,504

**Net Assets**

Without donor restrictions:	
Board-designated	156,120,654
Undesignated	750,790,061
With donor restrictions	35,207,680

**Total Net Assets** 942,118,395

**TOTAL LIABILITIES AND NET ASSETS** \$ 1,043,292,899

*The accompanying notes are an integral part of these consolidated financial statements.*

**Educational Media Foundation**  
CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2022	Donor Restrictions		Total
	Without	With	
<b>Revenue, Support, and Gains (Losses)</b>			
Contributions	\$ 212,551,594	\$ 14,262,650	\$ 226,814,244
Business underwriting grants	4,471,557	-	4,471,557
Interest and dividend income	3,075,215	-	3,075,215
Concert tours	1,600,854	-	1,600,854
Marketing services	1,010,995	-	1,010,995
Royalties	116,887	-	116,887
Publishing sales, net of cost of goods sold	692,062	-	692,062
Film revenue	290,843	-	290,843
Miscellaneous income	1,540,379	-	1,540,379
Impairment of radio FCC licenses	(6,815,552)	-	(6,815,552)
Net gain on disposal of assets	385,912	-	385,912
Net unrealized loss on investments	(18,875,709)	(1,414,028)	(20,289,737)
Net assets released from restrictions	9,419,029	(9,419,029)	-
Transfer from board-designated endowment	(950,330)	950,330	-
<b>Total Revenue, Support, and Gains (Losses)</b>	<b>208,513,736</b>	<b>4,379,923</b>	<b>212,893,659</b>
<b>Expenses</b>			
Program	130,704,721	-	130,704,721
General administration	24,574,724	-	24,574,724
Fundraising	11,685,297	-	11,685,297
<b>Total Expenses</b>	<b>166,964,742</b>	<b>-</b>	<b>166,964,742</b>
<b>Change in Net Assets</b>	<b>41,548,994</b>	<b>4,379,923</b>	<b>45,928,917</b>
<b>Net Assets - Beginning of Year</b>	<b>865,361,721</b>	<b>30,827,757</b>	<b>896,189,478</b>
<b>Net Assets - End of Year</b>	<b>\$ 906,910,715</b>	<b>\$ 35,207,680</b>	<b>\$ 942,118,395</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

## Educational Media Foundation

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022	Program	General Administration	Fundraising	Total Expenses
Payroll and related costs	\$ 40,011,046	\$ 16,445,698	\$ 5,762,893	\$ 62,219,637
Occupancy	1,911,504	473,178	248,110	2,632,792
Listener servicing	2,542,041	620,683	1,062,965	4,225,689
Office	4,631,271	686,514	99,638	5,417,423
Programming	1,411,380	-	411	1,411,791
Website	13,348,615	-	-	13,348,615
Promotion and advertising	9,810,793	1,217,125	1,947,973	12,975,891
Donations	499,003	-	-	499,003
Travel and meetings	2,388,160	625,586	368,911	3,382,657
Engineering	1,978,104	137,645	58,819	2,174,568
Computers and software	6,767,478	527,887	226,486	7,521,851
Professional consulting	4,716,843	1,316,267	879,042	6,912,152
Station operations	29,218,420	-	-	29,218,420
Interest	785,496	109	-	785,605
Administrative	693,141	2,003,149	1,030,049	3,726,339
Depreciation and amortization	9,991,426	520,883	-	10,512,309
<b>Total Expenses</b>	<b>\$ 130,704,721</b>	<b>\$ 24,574,724</b>	<b>\$ 11,685,297</b>	<b>\$ 166,964,742</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Educational Media Foundation**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended December 31, 2022

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 45,928,917
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	10,404,753
Amortization	107,556
Amortization of right-of-use assets	14,746,365
Impairment charge on indefinite-lived assets	6,815,552
Noncash contributions	(192,509)
Net gain on disposal of assets	(385,912)
Net unrealized loss on investments	20,289,737
Net change in operating assets and liabilities:	
Unconditional promises to give	129,989
Prepaid expenses	(442,323)
Inventories	142,336
Other receivables	(620,351)
Deposits and other	38,704
Accounts payable and accrued expenses	26,041,846
Operating lease liabilities	(14,192,874)

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 108,811,786

**CASH FLOWS FROM INVESTING ACTIVITIES**

Payments for property and equipment	(34,439,444)
Payments for FCC radio licenses	(8,657,098)
Payments for investments in films	(5,400,000)
Proceeds from return on investments in films	708,342
Proceeds from sale of assets	533,283
Principal payments received on notes receivable	11,300
Purchase of investments	(98,402,774)
Proceeds from sale of investments	96,098,696

**NET CASH USED IN INVESTING ACTIVITIES** (49,547,695)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Capitalized loan fees	(411,832)
Principal payments on notes payable	(9,536,125)

**NET CASH USED IN FINANCING ACTIVITIES** (9,947,957)

**Net Change in Cash and Cash Equivalents** 49,316,134

**Cash and Cash Equivalents - Beginning of Year** 82,809,862

**Cash and Cash Equivalents - End of Year** \$ 132,125,996

*The accompanying notes are an integral part of these consolidated financial statements.*



**Educational Media Foundation**  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(Continued)

Year Ended December 31, 2022

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**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash payments for interest	\$ 826,596
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**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES**

Right-of-use assets obtained in exchange for operating lease liabilities	\$ 11,513,113
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*The accompanying notes are an integral part of these consolidated financial statements.*

# Educational Media Foundation

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of the consolidated financial statements.

**Nature of Organization** Educational Media Foundation and subsidiaries (EMF) create and distribute Christian media through K-LOVE Radio Network; Air 1 Radio Network; WTA Media, LLC (WTA); Accessmore Podcasting; K-LOVE OnDemand; K-LOVE Books; and K-LOVE Films. Media channels include radio, film, literature, podcasting, and digital. Content is distributed worldwide. EMF is a member of the Evangelical Council for Financial Accountability.

**Principles of Consolidation** The consolidated financial statements include the accounts of Educational Media Foundation and its wholly-owned subsidiaries: El Dorado Licenses, Inc.; San Joaquin Broadcasting Company; EMF Corporation; EMF Property Holdings, LLC; K-LOVE/Air 1 Events, LLC; Crisis Response, LLC; K-LOVE and Air 1 Foundation Trust; EMF Publishing, LLC; Dare II Dream, LLC; WTA Media, LLC; and TN Property Holdings, LLC. EMF is the sole stockholder of the corporations, and EMF or one of its subsidiaries is the sole member of the LLCs. EMF Corporation is the sole trustee of the K-LOVE and Air 1 Foundation Trust. The K-LOVE and Air 1 Foundation Trust is the sole member of WTA Media, LLC. The subsidiaries have been organized and are operated primarily to support and carry out the purposes of EMF. All material interorganizational transactions and balances have been eliminated in the consolidation.

**Basis of Presentation** The consolidated financial statements of EMF have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which require EMF to report information regarding its financial position and activities according to the following net asset classifications:

*Net Assets Without Donor Restrictions:* Net assets in this category 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 EMF's management and the Board of Directors. The Board of Directors has adopted a policy for designating an operating contingency of \$70,000,000, along with other net assets for projects or uses identified at December 31, 2022, totaling \$156,954,511. The Board of Directors has also created a board-designated endowment in the amount of \$7,188,232 at December 31, 2022.

*Net Assets With Donor Restrictions:* Net assets in this category are subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of EMF or by passage of time. Other donor restrictions are perpetual in nature, whereby the donors have stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported in the consolidated statement of activities 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 accompanying consolidated statement of activities.

## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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**Use of Estimates** The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** EMF considers time deposits, certificates of deposit, and all highly liquid investments having an original maturity of three months or less to be cash equivalents.

**Inventories** Inventories, which consist primarily of broadcasting equipment parts, are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Cost is determined on the first-in, first-out method.

**Property and Equipment** Property and equipment purchased by EMF are recorded at cost. EMF capitalizes equipment with an acquisition cost in excess of \$5,000 and a useful life of more than one year. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 25 years for equipment, furniture and fixtures, automobiles, and software, and 39 years for buildings and leasehold improvements.

**Operating Lease Right-of-Use Assets and Liabilities** EMF obtains the right to control the use of various assets under long-term agreements. EMF evaluates contracts to determine whether they include a lease, and uses the lessee non-lease component accounting policy election, for all asset classes, to account for the lease and non-lease components as a single lease component. For leases accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes, are recognized in operating expenses in the period in which the obligation for those payments were incurred. Leases are recognized on the statement of financial position as right-of-use assets with a corresponding lease liability.

**Investments in Film** Investments in film, which consist primarily of investments in the production of faith-based film projects, are recorded at cost. The investments entitle EMF to receive a premium on its investment, as well as a share of film receipts, as specified in the film operating or financing agreement.

**Notes Receivable** Notes receivable are recorded at the amortized amount due. In determining collectability, management takes into consideration such factors as debtor history, payment history, and existing economic conditions. Once a note receivable is deemed uncollectible based on these factors, it is written off. Management has determined that no allowance for potentially uncollectible notes receivable was necessary at December 31, 2022.

**Investments** Investments in equity securities are recorded at fair value. Investments in marketable debt securities with readily determinable fair market values are reported at fair value. Unrealized gains and losses are included in total revenue, support, and gains in the accompanying consolidated statement of activities.

## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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**Intangible Assets** EMF classifies intangible assets as definite-lived or indefinite-lived. EMF's indefinite-lived intangible assets include primarily Federal Communication Commission (FCC) radio licenses, related permits and application costs, and trademarks. FCC radio licenses, permits, and application costs are recorded at cost. Permits and application costs represent legal and other related costs incurred to date to apply for FCC radio licenses and in preparation of going on the air.

Trademarks represent legal and other costs incurred in obtaining trademarks for the K-LOVE and Air 1 radio networks.

Intangibles with indefinite useful lives are not amortized; rather, they are evaluated for impairment annually. When the life of an intangible asset previously deemed to have an indefinite life is determined to no longer be indefinite, then the asset is amortized over the identified useful life.

EMF performed its annual impairment tests on its indefinite-lived assets as of December 31, 2022, which resulted in a noncash loss of approximately \$7,000,000. The impairment charge reduced the carrying value of six stations currently carrying K-LOVE programming and one station carrying Air 1 programming.

**Goodwill** Goodwill represents the cost of an investment in a purchased company in excess of the underlying fair value of net identifiable assets at the date of acquisition. Goodwill is evaluated for impairment when a triggering event occurs. Management has determined that no triggering events have occurred.

**Income Taxes** EMF is exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code*. EMF has not entered into any activities that would jeopardize its tax-exempt status. EMF does enter into unrelated trade or business activities that result in unrelated business income. Historically, the expenses associated with this unrelated business income exceed the income. Accordingly, no provision for income taxes is recorded in the accompanying consolidated statement of activities.

**Contributions** EMF receives the majority of its support from contributions received in response to periodic pledge drives for the K-LOVE and Air 1 radio networks. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as net assets with donor restrictions. Unconditional promises to give are recorded as support when a valid pledge has been received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are calculated using the U.S. Treasury Long-Term Composite rates applicable at the time the promises are received. For unconditional promises to give received during the year ended December 31, 2022, the discount rates ranged from 2.27% to 4.51%. Intentions to give are recorded when the cash is received.

EMF uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has determined no allowance for unconditional promises to give was deemed necessary at December 31, 2022.

## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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**Contributed Services** Many individuals volunteer their time in performing a variety of tasks that assist EMF in its program efforts. However, no amounts have been reflected in the consolidated financial statements for donated services, as these services do not meet the criteria for recognition as set forth under GAAP.

**Revenues From Contracts With Customers** A five-step model is used to determine the amount and timing of revenue recognized. The five-step model requires EMF to apply the following steps: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, EMF satisfies the performance obligations.

EMF's revenues are generated from its operations within the United States of America and are recognized as described below:

*Business Underwriting Grants:* Business underwriting grants represent fees paid by businesses to EMF for concert or special event announcements. These are generally short-term in nature. Business underwriting grant revenue is recognized over time as, but only if, the contracted announcements are run. Contract liabilities are recorded for payments received from customers in advance of EMF fulfilling the obligation to run the announcements, and are included in accounts payable and accrued expenses on the consolidated statement of financial position. Contract liabilities were \$157,041 and \$155,836 as of December 31, 2022 and 2021, respectively.

*Concert Tours:* Concert tour revenue represents income earned by EMF for the marketing of the tour, and is based on an agreement with the customer for an agreed-upon percentage of net profit generated by the concert tour. Revenue is recognized at a point in time once EMF's share of the net profit can be reasonably estimated, generally at the end of the concert tour.

*Marketing Services:* Marketing service revenue represents service fees for the development and marketing of media. Revenue is recognized over time based on the terms of the agreement, generally in the form of a monthly fee throughout the period in which services are performed.

*Royalties:* Royalties represent fees received for the sales of products marketed by EMF, and are based on an agreed-upon percentage of sales. Revenue is recognized at a point in time once EMF's royalties can be reasonably estimated, generally on a quarterly basis.

**Implementation of New Accounting Standards** In 2022, EMF adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases*. This ASU required EMF to recognize on the statement of financial position the asset and liability for the rights and obligations created by leases with a term of more than 12 months. EMF elected several available practical expedients, including to not reassess the classification of existing leases, any initial direct costs associated with the leases, or whether any existing contracts are or contain leases. EMF adopted the provisions of the update using a modified retrospective approach for all lease contracts. This ASU had the effect of increasing right-of-use assets and operating lease liabilities by \$54,164,123 and \$54,798,122, respectively, effective January 1, 2022.

## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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**Functional Allocation of Expenses** The costs of providing various program and supporting activities have been summarized on a functional basis in the consolidated statement of activities. The presentation of expenses by function and nature is included in the consolidated statement of functional expenses. EMF charges direct expenses incurred for a specific function directly to the program or supporting service category. These costs can be specifically identified as being incurred for the activities of that program or supporting service. Other costs that are incurred by EMF benefit more than one program or supporting service, and are allocated on a reasonable basis that is consistently applied. Payroll and related costs are allocated based on estimates of time and effort; other costs, including depreciation, listener servicing, certain occupancy and office costs, promotion and advertising, engineering, and computers and software, are allocated based on estimates of usage or benefit received by each function. EMF reevaluates its allocation method each year to determine if there are adjustments that are necessary to the allocation method, based on actual activities conducted during the year.

**Promotion and Advertising** EMF promotes its stations within local service areas. Promotion and advertising costs are expensed as they are incurred.

**Evaluation of Subsequent Events** Management has evaluated subsequent events through June 21, 2023, the date the consolidated financial statements were available to be issued.

## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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#### 2. LIQUIDITY AND AVAILABILITY OF ASSETS

The following represents EMF's financial assets as of the date of the consolidated statement of financial position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the consolidated statement of financial position. Amounts not available include amounts invested in the quasi-endowment that could be drawn upon if the Board of Directors approves that action, reserves for station acquisitions, and other board designations. The Board of Directors has also designated an operating contingency reserve in the amount of \$70,000,000 that has not been subtracted as unavailable, as it is designated for the purpose of meeting general expenditures if the need arises. Additionally, the Board of Directors may vote to release board-designated net assets, making them available for general expenditures if needed.

December 31, 2022

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#### Financial Assets - End of Year

Cash and cash equivalents	\$ 132,125,996
Unconditional promises to give	13,818,659
Current portion of notes receivable	1,800
Investments	119,191,350
Other receivables	4,104,285

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**Total Financial Assets - End of Year** 269,242,090

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#### Amounts Not Available to be Used Within One Year

Board-designated net assets	(156,120,654)
Add back: Operating contingency	70,000,000

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**Unavailable Board-Designated Net Assets** (86,120,654)

Net assets with donor restrictions (35,207,680)

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**Subtotal** (121,328,334)

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#### Financial Assets Available to Meet General Expenditures

**Over the Next Twelve Months** \$ 147,913,756

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EMF is substantially supported by contributions from listeners. The majority of these contributions are unrestricted and are available to meet general expenditure obligations. In order to manage liquidity, EMF has structured its financial assets to be available as its general expenditures and liabilities come due. EMF's operating contingency reserve of \$70,000,000 equates to approximately six months of operating expenses.

## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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#### 3. UNCONDITIONAL PROMISES TO GIVE

Receipts of unconditional promises to give due in future periods are summarized as follows:

Years Ending December 31

2023	\$	11,780,578
2024		1,110,800
2025		920,800
2026		210,000
2027		20,000
<b>Subtotal</b>		<b>14,042,178</b>
Less: Discounts on unconditional promises to give		223,519
<b>Total Unconditional Promises to Give - Net of Discounts</b>	<b>\$</b>	<b>13,818,659</b>

#### 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

December 31, 2022

Broadcast equipment	\$	95,180,750
Furniture and fixtures		13,688,592
Automobiles		101,387
Software		16,189,180
Buildings		19,472,117
Leasehold improvements		1,881,370
Land		14,556,070
Capital projects in process		29,805,511
<b>Subtotal</b>		<b>190,874,977</b>
Less: Accumulated depreciation		104,685,633
<b>Total Property and Equipment - Net</b>	<b>\$</b>	<b>86,189,344</b>

Depreciation expense was \$10,404,753 for the year ended December 31, 2022.



## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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#### 5. FAIR VALUE AND INVESTMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1), and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that EMF has the ability to access.

*Level 2:* Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from, or corroborated by, observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 inputs must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022.

*Money Market Funds:* Amounts are interest-bearing deposit accounts. EMF does not consider these amounts for use in general operations; therefore, they are not classified as cash and cash equivalents.

*Mutual Funds and Equity Securities:* Each investor in a mutual fund will typically receive units of participation or shares in the mutual fund. These shares are valued daily, based on the underlying securities owned by the mutual fund, and are usually publicly-traded equity securities. Equity securities are instruments that signify an ownership position in a corporation and represent a claim on its proportional share in the corporation's assets and profits. Ownership is determined by the number of shares an investor owns divided by the total number of shares outstanding. Equity securities are valued daily based on the closing market price in the active exchange markets.

## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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*Debt and Fixed-Income Securities:* Corporate bonds, government bonds, and other debt and fixed income securities are generally valued by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value. Each bond series has a unique set of variables including coupon payment, number of payments, interest rate, and the maturity value. These factors are used to determine the estimated market value and can be determined daily.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although EMF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, EMF's investments at fair value:

December 31, 2022	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
Money market funds	\$ 8,169,947	\$ -	\$ -	\$ 8,169,947
Mutual funds by investment objective:				
Growth funds	3,503,423	-	-	3,503,423
Blend funds	20,962,934	-	-	20,962,934
Bond and fixed-income funds	18,698,495	-	-	18,698,495
Equity securities by industry type:				
Healthcare	3,815,334	-	-	3,815,334
Consumer staples	3,454,693	-	-	3,454,693
Technology	4,367,493	-	-	4,367,493
Basic materials	1,500,027	-	-	1,500,027
Consumer discretionary	1,794,031	-	-	1,794,031
Industrials	1,341,735	-	-	1,341,735
Financial	2,132,146	-	-	2,132,146
Telecommunications	1,527,942	-	-	1,527,942
Utilities	794,785	-	-	794,785
Real estate	-	4,133,917	-	4,133,917
Energy	402,115	-	-	402,115
Debt and fixed-income securities:				
U.S. Treasury	36,747,155	-	-	36,747,155
Corporate	-	5,845,178	-	5,845,178
<b>Total Investments at Fair Value</b>	<b>\$ 109,212,255</b>	<b>\$ 9,979,095</b>	<b>\$ -</b>	<b>\$ 119,191,350</b>

EMF's investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect account balances and the amounts reported in the consolidated statement of financial position.

## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 6. FCC RADIO LICENSES, PERMITS, AND APPLICATION COSTS

Capitalized FCC radio licenses, permits, and application costs for stations and translators consisted of the following:

December 31, 2022	
Operating stations and translators	\$ 600,841,202
Pending stations and translators	308,354
<b>Total FCC Radio Licenses, Permits, and Application Costs</b>	<b>\$ 601,149,556</b>

#### 7. LONG-TERM DEBT

Long-term debt consisted of the following:

December 31, 2022	
Various notes payable, secured by security interests in personal property, due in periodic payments of various amounts, including interest at rates ranging up to 5.00%, maturing at various dates through February 2029.	\$ 4,615,601
Note payable, secured by a security interest in personal property, due in monthly payments of \$12,000, including interest at 7.30%, maturing in December 2033.	1,086,648
Draw down line of credit loan for a total principal of \$35,000,000 due in variable rate interest-only payments maturing in July 2024. Interest rate at December 2022 was 6.50%.	5,000
Trademark license agreement, secured by interest in a trademark license, due in monthly principal payments of various amounts up to \$125,000, plus imputed interest at an effective rate of 4.01%, maturing in November 2027.	9,332,073
Improvement compensation agreement due in monthly principal payments of \$1,000 maturing in July 2030.	91,000
<b>Total Long-Term Debt</b>	<b>15,130,322</b>
Less: Unamortized debt issuance costs	411,832
<b>Subtotal</b>	<b>14,718,490</b>
Less: Current portion	1,558,408
<b>Total Long-Term Debt - Net</b>	<b>\$ 13,160,082</b>

## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Maturities of long-term debt are as follows:

Years Ending December 31	
2023	\$ 1,558,408
2024	1,638,102
2025	1,732,561
2026	1,831,718
2027	6,641,856
Thereafter	1,315,845
<b>Total Long-Term Debt</b>	<b>\$ 14,718,490</b>

Debt issuance costs are amortized over the life of the related debt instrument. Amortization for debt issuance costs was \$12,900 for the year ended December 31, 2022, and is expected to be \$82,366 for the year ending December 31, 2023.

## 8. LEASE OBLIGATIONS

### Operating Leases

EMF leases office space, radio tower space, land, satellite equipment, and vehicles for use in operations under operating lease agreements. The operating leases may include renewal options. Lease renewals were only included in the calculations if the renewals were considered reasonably certain to be exercised.

EMF's operating leases generally do not specify an implicit interest rate. Therefore, the incremental borrowing rate was used, based on information available at the commencement date, to determine the present value of future payments when capitalizing the operating lease right-of-use assets and operating lease liabilities.

The EMF leases storage space and small equipment under lease agreements with durations less than 12 months, and has elected to use the short-term lease exemption, which allows for the expense to be recognized on a straight-line basis over the lease term.

The EMF's lease expense was as follows:

December 31, 2022	
Operating leases	\$ 16,816,526
Short-term leases	814,417
<b>Total Lease Expense</b>	<b>\$ 17,630,943</b>

## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The aggregate minimum annual lease payments under operating lease arrangements and discount factors used in calculating minimum lease payments on right-of-use assets are as follows:

Years Ending December 31	
2023	\$ 15,249,037
2024	12,036,756
2025	9,056,756
2026	6,680,763
2027	4,488,306
Thereafter	10,647,489
<b>Subtotal</b>	<b>58,159,107</b>
Less: Amount representing interest	6,151,640
<b>Present Value of Minimum Lease Payments</b>	<b>52,007,467</b>
Less: Current maturities of leases	13,585,329
<b>Lease Liability - Net of Current Maturities</b>	<b>\$ 38,422,138</b>
Weighted-average remaining lease term:	
Operating leases	5.6 years
Weighted-average discount rate:	
Operating leases	3.72%

## 9. AFFILIATES AND COMMITMENTS

EMF has entered into various affiliate agreements with other radio stations to rebroadcast EMF's radio format through these stations. EMF also has certain rights and obligations related to the purchase of radio stations.

Certain of these stations operate under agreements that require an income split of the nonbusiness cash contributions generated under the stations' listening markets, or under agreements that require an income split of the nonbusiness cash contributions in excess of a base amount, in addition to a flat monthly fee. The remaining affiliate stations operate under agreements that require flat monthly fees and/or operating expense reimbursements.

## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The following is a schedule of future minimum payments required under affiliate agreements requiring flat monthly fees and/or operating expense reimbursements:

Years Ending December 31	
2023	\$ 1,052,857
2024	729,168
2025	357,774
2026	252,854
2027	238,427
Thereafter	59,100
<b>Total</b>	<b>\$ 2,690,180</b>

The total payments made under affiliate agreements requiring flat monthly fees and/or operating expense reimbursements were \$1,456,323 for the year ended December 31, 2022.

EMF has entered into construction contracts to build a facility in the city of Franklin, Tennessee. As of December 31, 2022, EMF has expended approximately \$32,000,000 in total for the purchased land and construction in progress for this facility, and the Board of Directors had designated approximately \$39,000,000 of net assets for construction. EMF had committed approximately \$109,000,000 to various vendors associated with the construction as of December 31, 2022.

## 10. ENDOWMENT

EMF's endowment consists of 54 individual donor-restricted funds established for the purposes of organizational strength, core growth and excellence, and reach and influence. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, 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.

The Board of Directors of EMF 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, EMF classifies as donor-restricted net assets in perpetuity: (a) the original value of gifts to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulations to the endowment that are required to be maintained in perpetuity, made in accordance with the direction of the applicable donor gift at the time the accumulation is added to the fund. EMF considers a fund to be underwater when the fair value of the fund is less than the amount of the applicable donor-restricted net assets in perpetuity. EMF has interpreted UPMIFA to permit spending from underwater funds, in accordance with the prudent measures required under the law.

## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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In accordance with UPMIFA, EMF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds; (2) the purposes of the donor-restricted endowment funds; (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 EMF; and (7) EMF's investment policies.

EMF has adopted an investment and spending policy, approved by the Board of Directors, of appropriating for distribution each year 3% of its endowment fund's rolling average fair value over the prior 12 quarters, through the calendar year-end preceding the fiscal year in which the distribution is planned. This policy is designed to protect the budget from the vagaries of year-to-year fluctuations in market returns, change of yields from year to year that result from changes in interest rates, dividend levels, and pay-out rates; and to provide for gradual increase in spendable earnings from year to year. Actual returns in any given year may vary from the expectations. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed so as to not expose the fund to unacceptable levels of risk. EMF may appropriate for expenditure as much of endowed funds as the Finance Committee determines is prudent and in line with the restricted purpose of the funds. EMF's spending policy is designed to maintain appropriate stewardship of perpetual funds. Accordingly, investment returns in excess of the spendable amount shall be retained to offset inflation.

The following represents endowment net assets composition by type:

December 31, 2022	Donor Restrictions		Total
	Without	With	
Board-designated endowment funds	\$ 7,188,232	\$ -	\$ 7,188,232
Donor-restricted endowment funds	-	10,218,852	10,218,852
<b>Total</b>	<b>\$ 7,188,232</b>	<b>\$ 10,218,852</b>	<b>\$ 17,407,084</b>

## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Changes in endowment net assets were as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Specific Purpose	In Perpetuity	
<b>Balance - December 31, 2021</b>	\$ 9,740,188	\$ 1,195,697	\$ 8,142,816	\$ 19,078,701
Contributions	-	-	1,553,106	1,553,106
Distributions	-	(226,007)	-	(226,007)
Investment income - net of investment fees	152,044	152,647	-	304,691
Realized losses on investments	104,872	109,924	-	214,796
Unrealized gains on investments	(1,858,542)	(1,676,601)	-	(3,535,143)
Transfer from without donor restrictions	-	-	16,940	16,940
Transfers from board-designated endowment	(950,330)	-	950,330	-
<b>Balance - December 31, 2022</b>	\$ 7,188,232	\$ (444,340)	\$ 10,663,192	\$ 17,407,084

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires EMF to retain in perpetuity. No such deficiencies exist as of December 31, 2022.

## 11. NET ASSETS

The following is a reconciliation of net assets without donor restrictions:

December 31, 2022	
Board designated:	
Station acquisitions	\$ 13,235,647
Major acquisitions and strategic initiatives	15,714,284
Operating contingency	70,000,000
Media projects	10,406,500
Franklin, TN facility	39,325,991
Third-party giving	250,000
Endowment	7,188,232
<b>Total Board Designated</b>	<b>156,120,654</b>
Undesignated	750,790,061
<b>Total Net Assets Without Donor Restrictions</b>	<b>\$ 906,910,715</b>



## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The following is a reconciliation of net assets with donor restrictions:

December 31, 2022

Restricted for purpose	\$	24,544,488
Restricted in perpetuity		10,663,192
<b>Total Net Assets With Donor Restrictions</b>	<b>\$</b>	<b>35,207,680</b>

Activity for net assets with donor restrictions was as follows:

Year Ended December 31, 2022

<b>Contributions Restricted for Purpose</b>		
Received during the year	\$	12,709,544
Released during the year		(4,339,373)
<b>Net Restricted Contributions Received During the Year</b>		<b>8,370,171</b>
Release of prior years' purpose-restricted net assets		(4,870,589)
Distribution from endowment		(226,007)
Investment loss on endowment		(1,414,028)
<b>Net Increase in Net Assets Restricted for Purpose</b>		<b>1,859,547</b>
<b>Contributions Restricted in Perpetuity</b>		
Received during the year		1,553,106
Transfer from without donor restrictions		16,940
Transferred from board-designated endowment		950,330
<b>Increase in Net Assets Restricted in Perpetuity</b>		<b>2,520,376</b>
<b>Net Increase in Net Assets With Donor Restrictions</b>		<b>4,379,923</b>
<b>Net Assets With Donor Restrictions - Beginning of Year</b>		<b>30,827,757</b>
<b>Net Assets With Donor Restrictions - End of Year</b>	<b>\$</b>	<b>35,207,680</b>

## **Educational Media Foundation**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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#### **12. CONCENTRATIONS AND CONTINGENCIES**

##### **Credit Risk**

EMF maintains its cash accounts in depositories that are insured by the FDIC, generally up to \$250,000 per institution. As of December 31, 2022, \$185,383,371 of EMF's cash accounts in depositories were uninsured.

##### **Loss Contingency**

At times EMF is party to legal proceedings, lawsuits, arbitration, and other claims. EMF evaluates contingencies related to these claims on an ongoing basis and has accrued liabilities for matters in which losses are probable and the amount of loss can be reasonably estimated. Contingent losses totaling approximately \$12,000,000 are reflected in the accompanying financial statements.

#### **13. RETIREMENT PLAN**

EMF sponsors a 401(k) defined contribution retirement plan covering all employees who meet the plan's age and service requirements. Eligible employees may elect to make salary deferral contributions to the plan, up to certain annual limits. EMF may elect to make discretionary matching contributions based on employee salary deferral contributions, discretionary profit-sharing contributions, or a combination of both. Employer contributions to the plan were \$1,606,167 for the year ended December 31, 2022.

#### **14. SELF-INSURED HEALTH PLAN**

EMF provides a self-insured health plan for eligible employees. EMF has purchased stop-loss insurance in order to limit its exposure, which will reimburse EMF for claims incurred for a covered individual exceeding \$150,000 annually, with an unlimited annual maximum benefit per covered person; or aggregate claims exceeding approximately \$6,050,884, up to a maximum reimbursement of \$1,000,000 annually. EMF funds its self-insurance obligations based on actual claims reported by the program's third-party administrator. Additionally, EMF has estimated a liability for claims incurred but not yet reported using industry averages and actual claims history, which is included in accrued expenses. At December 31, 2022, the accrued liability for self-insured claims incurred but not yet reported approximated \$740,000.

## Educational Media Foundation

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 15. JOINT COST ALLOCATION

EMF incurred expenses that were identifiable with a particular function but served joint purposes. Expenses related to certain donor communications jointly supported program services, general administration, and fundraising. These expenses were allocated by their functional classification as follows:

December 31, 2022	
Program services	\$ 1,531,075
General administration	299,179
Fundraising	938,470
<b>Total</b>	<b>\$ 2,768,724</b>

#### 16. SUBSEQUENT EVENTS

As of June 16, 2023, EMF has entered into agreements to acquire three radio signals in two separate transactions with aggregate purchase prices totaling \$1,300,000 to be paid in cash.

As of June 16, 2023, EMF has entered into agreements to purchase materials and services related to the construction of its facility in the city of Franklin, TN in two separate transactions with aggregate purchase prices totaling \$2,087,431 to be paid in cash.

As of June 16, 2023, EMF has entered into an agreement to sell two broadcast towers for \$922,622 to be paid in cash.

As of June 16, 2023, EMF has sold a broadcast tower for \$776,753 paid in cash.

As of June 16, 2023, EMF has acquired two radio signals for a purchase price of \$15,500,000 paid in cash.