# FAMILY STATIONS, INC.

Financial Statements
With Independent Auditors' Report

December 31, 2022 and 2021

# FAMILY STATIONS, INC.

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CAPINCROUSE LLP

**INDEPENDENT AUDITORS' REPORT**

Board of Directors
Family Stations, Inc.
Franklin, Tennessee

***Opinion***

We have audited the accompanying financial statements of Family Stations, Inc., which comprise the statements of financial position as of December 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Family Stations, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis of Matter***

Family Stations, Inc. has adopted Financial Accounting Standards Update 2016-02, *Leases* , as described in Note 2. This has had a material effect on the December 31, 2022 statement of financial position. Our opinion is not modified with respect to that 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 Family Stations, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Board of Directors
Family Stations, Inc.
Franklin, Tennessee

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Family Stations, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Stations, Inc.'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.

Capin Crouse LLP

Colorado Springs, Colorado
August 8, 2023

# FAMILY STATIONS, INC.

## Statements of Financial Position

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| ASSETS: | | |
| Current assets: | | |
| Cash and cash equivalents | $ 25,410,110 | $ 63,940,748 |
| Accounts receivable | 58,819 | 39,000 |
| Prepaid expenses and other assets | 194,082 | 236,224 |
| | 25,663,011 | 64,215,972 |
| Deposits and other assets | 118,673 | 1,021,923 |
| Investments | 24,176,365 | 208,064 |
| Investments held for deferred compensation | 996,672 | - |
| Digital assets | 236,867 | - |
| Media production in progress | 2,529,563 | - |
| Beneficial interest in trusts | 127,360 | 153,236 |
| Radio broadcast licenses–net | 21,510,393 | 13,261,265 |
| Operating leases–right-of-use assets | 8,526,899 | - |
| Property and equipment–net | 17,637,216 | 17,945,255 |
| Total Assets | $ 101,523,019 | $ 96,805,715 |
| LIABILITIES AND NET ASSETS: | | |
| Current liabilities: | | |
| Accounts payable | $ 225,716 | $ 184,157 |
| Accrued expenses and other liabilities | 376,509 | 441,737 |
| Deferred compensation liability | 996,672 | - |
| Operating lease obligations–current portion | 1,153,164 | - |
| Notes payable–current portion | 208,740 | 240,910 |
| Deferred lease incentive–net, current portion | - | 75,368 |
| | 2,960,801 | 942,172 |
| Operating lease obligations–net of current portion | 7,556,893 | - |
| Deferred lease incentive–net, long-term portion | - | 125,613 |
| Total liabilities | 10,517,694 | 1,067,785 |
| Net assets without donor restrictions | 91,005,325 | 95,737,930 |
| Total Liabilities and Net Assets | $ 101,523,019 | $ 96,805,715 |

See notes to financial statements

# FAMILY STATIONS, INC.

**Statements of Activities**
**(Without Donor Restrictions)**

| | Year Ended December 31, | |
|---|---|---|
| | 2022 | 2021 |
| SUPPORT AND REVENUE: | | |
| Contributions | $ 7,181,112 | $ 7,752,542 |
| Lease income and airtime revenue | 202,936 | 482,178 |
| Investment income (loss) | (56,824) | 3,060,582 |
| Gain (loss) on sale of property and equipment and radio broadcast licenses | (10,685) | 2,159,773 |
| Loss on impairment of radio broadcast licenses | (1,200,000) | (5,500,000) |
| Other income | 39,302 | 37,736 |
| Total Support and Revenue | 6,155,841 | 7,992,811 |
| EXPENSES: | | |
| Program services | 8,284,020 | 6,929,308 |
| Supporting activities: | | |
| General and administrative | 2,077,999 | 1,811,609 |
| Fundraising | 526,427 | 401,121 |
| Total Expenses | 10,888,446 | 9,142,038 |
| Change in Net Assets | (4,732,605) | (1,149,227) |
| Net Assets, Beginning of Year | 95,737,930 | 96,887,157 |
| Net Assets, End of Year | $ 91,005,325 | $ 95,737,930 |

See notes to financial statements

# FAMILY STATIONS, INC.

## Statements of Functional Expenses

| | Year Ended December 31, 2022 | | | |
|---|---|---|---|---|
| | | Supporting Activities: | | |
| | Program Services | General and Administrative | Fundraising | Total Expenses |
| Salaries and benefits | $ 3,169,362 | $ 896,272 | $ 149,644 | $ 4,215,278 |
| Tower rents and utilities | 3,144,713 | 165,817 | 6,820 | 3,317,350 |
| Professional services | 381,737 | 505,393 | 39,046 | 926,176 |
| Depreciation and amortization | 691,586 | 122,551 | 67,481 | 881,618 |
| Postage, publications, and printing | 353,431 | 34,090 | 238,795 | 626,316 |
| Memberships and licenses | 353,334 | 20,598 | 17,528 | 391,460 |
| Office and other expenses | 45,919 | 258,259 | 93 | 304,271 |
| Insurance | 102,626 | 18,431 | 2,240 | 123,297 |
| Travel and meetings | 41,312 | 56,588 | 4,780 | 102,680 |
| Total 2022 Expenses | $ 8,284,020 | $ 2,077,999 | $ 526,427 | $ 10,888,446 |

| | Year Ended December 31, 2021 | | | |
|---|---|---|---|---|
| | | Supporting Activities: | | |
| | Program Services | General and Administrative | Fundraising | Total Expenses |
| Salaries and benefits | $ 2,283,073 | $ 627,596 | $ 45,614 | $ 2,956,283 |
| Tower rents and utilities | 3,079,314 | 195,577 | 6,591 | 3,281,482 |
| Professional services | 411,905 | 427,144 | 72,245 | 911,294 |
| Depreciation and amortization | 532,685 | 173,556 | 61,279 | 767,520 |
| Postage, publications, and printing | 63,711 | 34,241 | 196,551 | 294,503 |
| Memberships and licenses | 495,176 | 14,383 | 2,045 | 511,604 |
| Office and other expenses | 11,454 | 240,126 | 42 | 251,622 |
| Insurance | 35,594 | 62,051 | 777 | 98,422 |
| Travel and meetings | 16,396 | 36,935 | 15,977 | 69,308 |
| Total 2021 Expenses | $ 6,929,308 | $ 1,811,609 | $ 401,121 | $ 9,142,038 |

See notes to financial statements

# FAMILY STATIONS, INC.

## Statements of Cash Flows

| | Year Ended December 31, 2022 | 2021 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | $ (4,732,605) | $ (1,149,227) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 881,618 | 767,520 |
| Unrealized gain on investments | (134,253) | (2,963,542) |
| Loss on impairment of digital assets | 263,122 | - |
| Change in value of beneficial interest in trusts | 25,876 | (8,715) |
| Non-cash lease expense | 183,158 | - |
| Loss on impairment of radio broadcast licenses | 1,200,000 | 5,500,000 |
| Gain (loss) on sale of property and equipment, property held for sale, and radio broadcast licenses | 10,685 | (2,159,773) |
| Amortization of listener notes payable | (32,170) | (32,170) |
| Change in operating assets and liabilities: | | |
| Prepaid expenses and other assets | 42,142 | 425,339 |
| Accounts receivable | (19,819) | (8,647) |
| Deposits and other assets | 903,250 | (766,492) |
| Accounts payable | 41,559 | (51,755) |
| Accrued expenses and other liabilities | (65,228) | (153,238) |
| Deferred lease incentive-net | (200,981) | (75,367) |
| Net Cash Used by Operating Activities | (1,633,646) | (676,067) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Cost of media production | (2,529,563) | - |
| Purchases of property and equipment | (619,264) | (12,840,043) |
| Proceeds from sale of property and equipment and property held for sale | 35,000 | 8,430,327 |
| Purchases of investments | (23,992,813) | (37,079,990) |
| Proceeds from sales of investments | 158,765 | 39,872,108 |
| Purchase of digital assets | (499,989) | - |
| Purchase of radio broadcast licenses | (9,449,128) | - |
| Net Cash Used by Investing Activities | (36,896,992) | (1,617,598) |
| Net Change in Cash and Cash Equivalents | (38,530,638) | (2,293,665) |
| Cash and Cash Equivalents, Beginning of Year | 63,940,748 | 66,234,413 |
| Cash and Cash Equivalents, End of Year | $ 25,410,110 | $ 63,940,748 |
| SUPPLEMENTAL DISCLOSURES: | | |
| Operating lease–right-of-use assets obtained through operating lease obligations | $ 9,566,479 | $ - |
| Deferred lease incentive transferred to right-of-use assets | $ 242,754 | $ - |

See notes to financial statements

# FAMILY STATIONS, INC.

**Notes to Financial Statements**

December 31, 2022 and 2021

1. NATURE OF ORGANIZATION:

   Family Stations, Inc. (FSI) is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, FSI is subject to federal income tax on any unrelated business taxable income. In addition, FSI is not classified as a private foundation within the meaning of Section 509(a) of the IRC. The primary source of support and revenue for FSI is contributions from listeners.

   FSI proclaims the Christian message primarily through its radio network and online streaming. They have been spreading the comfort and hope of the Gospel since 1959. FSI broadcasts over eighty signals throughout the United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

   FSI maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were assumed in preparing the financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

   CASH AND CASH EQUIVALENTS

   Cash and cash equivalents consist of checking and money market accounts. These accounts, from time to time, exceed federally insured limits. As of December 31, 2022 and 2021, FSI had cash and cash equivalents on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately $25,000,000 and $63,000,000, respectively.

   INVESTMENTS

   Investments, including investments held for deferred compensation, consist of equity securities, exchange-traded funds, mutual funds, corporate bonds, treasury bills, and a real estate investment trust, which are all reported at fair market value. Private equity securities included in the portfolio are held at net asset value. Donated securities are recorded at fair value on the date of the gift and are carried at fair market value.

   INVESTMENTS HELD FOR DEFERRED COMPENSATION

   These investments, as described above, are being held on behalf of an employee of FSI; therefore, a corresponding liability has been recorded on the statements of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

DIGITAL ASSETS

Digital assets consist primarily of cryptocurrency, held at cost, net of impairment. FSI has determined these assets have an indefinite life. Since the life of the digital assets is determined to be indefinite, FSI tests the assets on an annual basis for impairment and no amortization is being recorded. An impairment loss of $263,122 was recorded during the year ended December 31, 2022 and is included within investment income (loss) on the statements of activities, and digital assets are recorded net of this loss as of December 31, 2022. The value of these assets are subject to normal market fluctuations.

MEDIA PRODUCTION IN PROGRESS

Media production in progress at December 31, 2022 consists of production costs for motion picture shorts, paid in advance of project completion.

BENEFICIAL INTEREST IN TRUSTS

FSI has been named as a beneficiary on two beneficial remainder trusts which are administered by third parties. Payments are made to beneficiaries regularly until the death of the donor, at which time the remaining assets will be distributed to FSI. Annual receipts are included within contributions on the statements of activities. The value of the beneficial interest in trust decreased by $25,876 and increased by $8,715 during the years ended December 31, 2022 and 2021, respectively, which is included within investment income (loss) on the statements of activities.

RADIO BROADCAST LICENSES–NET

Radio broadcast licenses are intangible assets that are recorded at cost, net of impairment. FSI has determined these licenses have an indefinite life. Since the useful life of the licenses is determined to be indefinite, FSI tests the licenses on an annual basis for impairment and no amortization is being recorded. FSI estimates license values based on a variety of factors such as comparable sales of similar licenses, costs related to associated stations and towers, and general demand for similar licenses. Management has evaluated the radio broadcast licenses for impairment and recorded an impairment loss of $1,200,000 and $5,500,000, which is included in the statements of activities for the years ended December 31, 2022 and 2021, respectively.

OPERATING LEASES–RIGHT-OF-USE ASSETS AND OBLIGATIONS

FSI adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standard below) and its related amendments as of January 1, 2022. The operating leases presented in the statements of financial position include assets of $8,526,899 and lease obligations of $8,710,057 as of December 31, 2022. FSI elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022 without restating prior-year amounts. The additional lease disclosures can be found in Note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT–NET
Property and equipment is recorded at cost if purchased or fair value if contributed and includes improvements that significantly add to utility or extend useful lives. Depreciation is recorded using the straight-line method to allocate cost over the estimated useful lives, which range from five to forty years. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in support and revenue for the period. Purchases in excess of $5,000 are capitalized.

NOTES PAYABLE
In 2014, FSI retired all promissory notes by paying them out to sponsors. Notes payable consist of amounts not cashed by sponsors. Therefore, FSI still owes sponsors for these amounts and they continue to be shown as notes payable on the statements of financial position. In 2017, FSI stopped recording accrued interest on these notes payable due to the nature of the notes. During the year ended December 31, 2020, FSI began amortizing these notes payable on a straight-line basis over a ten year life. During the years ended December 31, 2022 and 2021, FSI recorded $32,170 of income related to the amortization of these notes payable, which is included in other income on the statements of activities. Since these notes are due to sponsors on demand, they have been classified as current liabilities on the statements of financial position as of December 31, 2022 and 2021.

NET ASSETS
The net assets of FSI are reported in the following classes:

*Net assets without donor restrictions* are currently available at the discretion of the board for use in FSI's operations. During the year ended December 31, 2020, the board created a designated fund as a reserve for repaying the outstanding listener notes payable. The balance of board designated net assets as of December 31, 2022 and 2021 was $96,510 and $64,340, respectively.

*Net assets with donor restrictions* are stipulated by donors for specific operating purposes. FSI has no net assets with donor restrictions as of December 31, 2022 and 2021.

SUPPORT AND REVENUE
Contributions are recorded when made, which may be when cash and other assets are received or when unconditionally promised. FSI reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, 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. FSI received no contributions with donor restrictions during the years ended December 31, 2022 and 2021.

Lease income and airtime revenue is recognized when earned, which is monthly over the term of the lease. Investment income (loss) and other income is recognized when earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The statements of functional expenses report certain categories of expenses that are attributable to program or supporting activities of FSI. These expenses include depreciation and amortization and tower rents and utilities, which are allocated based on square footage occupancy. Costs of other categories were allocated on estimates of time and effort. FSI had no joint costs during the years ended December 31, 2022 and 2021.

UNRELATED BUSINESS INCOME

FSI incurs income tax on certain tower rental agreements that are unrelated to FSI's normal business operations. Unrelated business income tax incurred for the years ended December 31, 2022 and 2021 was approximately $25,000 and $23,000, respectively. An accrual of $10,000 and $3,000 for unrelated business income tax as of December 31, 2022 and 2021, respectively, is included in accrued expenses and other liabilities within the statements of financial position.

RECENTLY ADOPTED ACCOUNTING STANDARD

In 2016, Financial Accounting Standards Board issued ASU No. 2016-02, *Leases* (Topic 842 of the Accounting Standards Codification). The amendments in this update require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. Some of FSI's contracts contain the right to control the use of property or assets and are therefore considered leases. FSI elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842)*: Targeted Improvements* and recorded the impact of adoption as of January 1, 2022, without restating any prior year amounts. FSI also elected to record both lease and nonlease components of office leases as leases and to exclude leases with terms of less than 12 months. The additional lease disclosures can be found in Note 6.

# FAMILY STATIONS, INC.

**Notes to Financial Statements**

December 31, 2022 and 2021

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects FSI's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

| | December 31, | |
|---|---|---|
| | 2022 | 2021 |
| Financial assets: | | |
| Cash and cash equivalents | $ 25,410,110 | $ 63,940,748 |
| Accounts receivable | 58,819 | 39,000 |
| Investments | 24,176,365 | 208,064 |
| Beneficial interest in trust | 127,360 | 153,236 |
| Financial assets at year-end | 49,772,654 | 64,341,048 |
| Less those unavailable for general expenditure within one year, due to: | | |
| Board designated net assets | (96,510) | (64,340) |
| Beneficial interest in trust not expected to be received within one year | (118,826) | (142,764) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 49,557,318 | $ 64,133,944 |

FSI manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As part of FSI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. There is a fund designated by management that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

# FAMILY STATIONS, INC.

**Notes to Financial Statements**

December 31, 2022 and 2021

4. FAIR VALUE MEASUREMENTS:

FSI uses appropriate valuation techniques to determine fair value based on inputs available. When available, FSI measures fair value using Level 1 inputs because they generally provide the most reliable evidence for fair value. Level 3 inputs are only used when Level 1 or level 2 inputs are not available.

The following tables present fair value measurements of assets measured at fair value on a recurring basis recognized in the accompanying statements of financial position as of December 31, 2022 and 2021.

| | | Fair Value Measurements Using: | | |
|---|---|---|---|---|
| | December 31, 2022 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments and investments held for deferred compensation : | | | | |
| Equity securities | $ 9,460,872 | $ 9,460,872 | $ - | $ - |
| Exchange-traded funds | 1,516,152 | 1,516,152 | - | - |
| Mutual funds | 4,362,372 | 4,362,372 | - | - |
| Corporate bonds | 536,294 | - | 536,294 | - |
| Treasury bills | 1,127,107 | - | 1,127,107 | - |
| Real estate investment trust | 614,796 | 614,796 | - | - |
| | 17,617,593 | $ 15,954,192 | $ 1,663,401 | $ - |
| Assets held at net asset value: | | | | |
| Private equity securities | 3,937,476 | | | |
| Assets held at cost: | | | | |
| Cash and cash equivalents | 3,617,968 | | | |
| | $ 25,173,037 | | | |
| Beneficial interest in trusts | $ 127,360 | $ - | $ - | $ 127,360 |

4. FAIR VALUE MEASUREMENTS, continued:

| | December 31, 2021 | Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Investments: | | | | |
| Equity securities | $ 208,064 | $ 208,064 | $ - | $ - |
| Beneficial interest in trusts | $ 153,236 | $ - | $ - | $ 153,236 |

Valuation techniques: Fair values for equity securities, exchange-traded funds, mutual funds, bonds, and the real estate investment trust are determined by reference to quoted market prices and other relevant information generated by market transactions, which are considered Levels 1 and 2 of the fair value hierarchy. Fair value for one beneficial interest in trust is based on the present value of the projected value of the trust at the estimated termination date, net of the present value of amounts due to the income beneficiaries over the term of the trust. The discount rate used in the present value calculation was 7.4% with an assumed growth rate on investments of 5%. As there are no ongoing distributions to income beneficiaries for the second beneficial interest in trust, fair value is measured using the unconditionally promised percentage of the fair value of the trust's assets. Both measurement methods are considered Level 3 of the fair value hierarchy. Private equity securities are valued based on the net asset value of the underlying investments.

Changes in valuation techniques: None.

The following table provides further details of the Level 3 fair value measurements for the years ended December 31, 2022 and 2021. The unrealized gain (loss) shown below is included in investment income (loss) on the statements of activities.

| | Year Ended December 31, 2022 | 2021 |
|---|---|---|
| Fair value, beginning of year | $ 153,236 | $ 144,521 |
| Unrealized gain (loss) | (25,876) | 8,715 |
| Fair value, end of year | $ 127,360 | $ 153,236 |

4. FAIR VALUE MEASUREMENTS, continued:

FSI uses net asset value to determine the fair value for all private equity securities which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. The following table lists investments in other investment companies (in partnership format) at December 31, 2022:

| Investment Category | Strategy | Fair Value Determined Using NAV | $ Amount of Unfunded Commitments | Timing to Draw Down Commitments | Redemption Terms | Redemption Restrictions | Redemption Restrictions in Place at Year End |
|---|---|---|---|---|---|---|---|
| Private Equity | (a) | $ 3,937,476 | $ 4,000,000 | Funded upon call | Every 90 days | Redeemable in full | None |

(a) To seek total return while distributing income by diversifying private market investments in hedge funds, private credit, multi-strategy, and real estate.

5. RADIO BROADCAST LICENSES–NET:

Prior to January 1, 2002, the costs of some of FSI's radio broadcast licenses had been amortized on a straight-line basis over a period of forty years as required by generally accepted accounting principles then in effect. In accordance with accounting standards, this systematic amortization of license costs was discontinued. The aggregate station license costs and accumulated amortization are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Radio broadcast licenses, carrying value | $ 23,786,695 | $ 15,537,567 |
| Less accumulated amortization | (2,276,302) | (2,276,302) |
| | $ 21,510,393 | $ 13,261,265 |

6. OPERATING LEASES–RIGHT-OF-USE ASSETS AND OBLIGATIONS:

FSI leases various transmitter sites, office space, and satellite channels under noncancelable operating leases expiring between 2023 and 2031. Optional periods were included in the lease terms for those renewal periods which management determined were reasonably certain to be exercised, based on the significance of the leased assets and other economic considerations. The discount rates represent the risk-free discount rates using a period comparable with that of the individual lease terms on the date of adoption. The leases require monthly payments ranging between $300 and $10,000. The discount rates on the leases range from 1.54% to 1.75%.

| | December 31, 2022 |
|---|---|
| Operating lease–right-of-use assets | $ 8,526,899 |
| Operating lease obligations | $ 8,710,057 |
| Operating lease costs | $ 1,192,347 |
| Short-term lease costs | $ 326,889 |
| Weighted-average discount rate | 1.72% |
| Weighted-average remaining lease term in years | 10.3 |

6. OPERATING LEASES–RIGHT-OF-USE ASSETS AND OBLIGATIONS, continued:

Future minimum lease payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

| Year Ending December 31, | | |
|---|---|---|
| 2023 | $ | 1,153,164 |
| 2024 | | 1,175,674 |
| 2025 | | 972,908 |
| 2026 | | 771,920 |
| 2027 | | 746,514 |
| Thereafter | | 4,721,813 |
| | | 9,541,993 |
| Less imputed interest | | (831,936) |
| | $ | 8,710,057 |

Prior to the adoption of ASUs 2016-02 and 2018-11 under Topic 842 as described in Note 2, FSI was applying Topic 840 for operating leases. For the comparable period, FSI had operating lease expenses totaling approximately $1,119,740 during the year ended December 31, 2021. Additionally, under Topic 840, FSI had recorded a deferred lease incentive liability related to capitalized leasehold improvements paid by the lessor. The deferred lease incentive was amortized at a rate of $6,281 per month over the life of the lease as an offset against rent expense. As of December 31, 2021, the deferred lease incentive was stated net of amortization of $188,419, respectively.

7. PROPERTY AND EQUIPMENT-NET:

Property and equipment–net, consists of:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Land and improvements | $ 11,365,300 | $ 11,365,300 |
| Buildings and improvements | 3,580,861 | 3,588,340 |
| Leasehold improvements | 1,052,626 | 3,177,000 |
| Towers, transmitters, antenna systems, and translators | 6,873,634 | 6,772,256 |
| Studio and office equipment | 3,865,476 | 4,703,816 |
| Satellite system | 1,567,627 | 1,529,206 |
| Information technology and software development | 2,171,656 | 2,199,074 |
| Vehicles | 28,657 | 9,800 |
| | 30,505,837 | 33,344,792 |
| Less accumulated depreciation and amortization | (13,379,127) | (15,813,205) |
| | 17,126,710 | 17,531,587 |
| Construction in progress | 510,506 | 413,668 |
| | $ 17,637,216 | $ 17,945,255 |

8. RETIREMENT PLAN:

FSI maintains a 403(b) tax deferred annuity plan (the Plan) which covers all employees who have worked for FSI for at least 60 days. FSI matches 50% of an employee's contribution up to 3%. FSI contributed $34,461 and $30,471 to the Plan during the years ended December 31, 2022 and 2021, respectively.

9. LEASE INCOME:

FSI leases office space and radio tower space and usage to various tenants. FSI receives monthly payments from these tenants. Total revenue from these agreements was $202,936 and $482,178 for the years ended December 31, 2022 and 2021, respectively. Future minimum receipts related to these agreements are:

| Year Ending December 31, | |
|---|---|
| 2023 | $ 134,672 |
| 2024 | 110,417 |
| 2025 | 27,053 |
| | $ 272,142 |

10. SUBSEQUENT EVENTS:

Subsequent events were evaluated through August 8, 2023, which is the date the financial statements were available to be issued.