



Financial Statements
June 30, 2021 and 2020

Friends of South Dakota Public Broadcasting

Friends of South Dakota Public Broadcasting

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June 30, 2021 and 2020

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Friends of South Dakota Public Broadcasting (the Organization) which comprise the statements of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of South Dakota Public Broadcasting as of June 30, 2021, 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.

Correction of Error

The financial statements of the Organization as of and for the year ended June 30, 2020 were audited by other auditors, whose report dated October 26, 2020, expressed an unmodified opinion on those statements. As discussed in Note 11 to the financial statements, the Organization identified errors in its 2020 financial statements relating to:

- Promises to give with multiyear pledges due in future years were reclassified from current assets to other assets and from net assets without restrictions to net assets with restrictions correcting an understatement of net assets with restrictions and an overstatement of net assets without restrictions;
- A portion of a commingled community foundation fund that included donor contributions received directly by the community foundation was removed as an asset of the Organization correcting an overstatement of beneficial interest in assets held by community foundations;
- Leasehold improvements paid for and expensed by the Organization in prior years was capitalized correcting an understatement of property and equipment, and;
- A portion of underwriting contracts in which the performance obligation had not yet been delivered were recognized as deferred revenue correcting an understatement of deferred revenue.

In addition, the Organization identified material reclassifications in the statement of functional expenses between program services and fundraising that had no impact to changes in net assets. Board designated investments were reclassified from current assets to assets limited as to use on the statement of financial position. In addition, there was an overstatement in revenue and expenses relating to salaries and rent reimbursed by South Dakota Public Broadcasting. Accordingly, the 2020 financial statements have been restated to correct these errors. The other auditors reported on the 2020 financial statements before the restatement.

As part of our audit of the 2021 financial statements, we also audited the adjustments described in Note 11 that were applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2020 financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.



Sioux Falls, South Dakota
December 15, 2021

Friends of South Dakota Public Broadcasting
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020 (Restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 377,762	\$ 160,869
Underwriting receivables	67,053	41,512
Promises to give	306,811	242,727
Prepaid expenses	31,230	284
Total current assets	782,856	445,392
Assets Limited as to Use		
Investments	2,031,678	1,463,127
Property and Equipment		
Leasehold improvements	406,475	406,475
Furniture and equipment	60,111	52,611
Accumulated depreciation	(156,551)	(129,390)
Total property and equipment	310,035	329,696
Other Assets		
Promises to give, net of current portion	266,828	325,175
Beneficial interest in assets held by community foundations	3,735,380	2,957,968
Total other assets	4,002,208	3,283,143
	\$ 7,126,777	\$ 5,521,358
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 66,663	\$ 110,818
Deferred revenue	68,314	97,820
Refundable advance - Paycheck Protection Program (PPP)	-	125,900
Total current liabilities	134,977	334,538
Net Assets		
Without donor restrictions		
Undesignated	794,368	211,587
Designated by the Board for endowment	2,031,678	1,463,127
	2,826,046	1,674,714
With donor restrictions		
Perpetual in nature	3,735,380	2,957,968
Time-restricted for future periods	430,374	554,138
	4,165,754	3,512,106
Total net assets	6,991,800	5,186,820
	\$ 7,126,777	\$ 5,521,358

Friends of South Dakota Public Broadcasting
Statement of Activities
Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Membership contributions	\$ 2,438,865	\$ 93,850	\$ 2,532,715
Grants, gifts, and donations	714,040	-	714,040
Underwriting	806,891	-	806,891
Net investment return	205,956	-	205,956
Change in value of beneficial interests in assets held by community foundations	-	786,704	786,704
Contribution in the form of Paycheck Protection Program (PPP) loan forgiveness	125,900	-	125,900
Miscellaneous	7,649	-	7,649
Net assets released from restrictions	226,906	(226,906)	-
Total revenue and other support	<u>4,526,207</u>	<u>653,648</u>	<u>5,179,855</u>
Expenses			
Program services expenses	<u>1,805,838</u>	<u>-</u>	<u>1,805,838</u>
Supporting services expenses			
Management and general	215,955	-	215,955
Fundraising	<u>1,353,082</u>	<u>-</u>	<u>1,353,082</u>
Total supporting services expenses	<u>1,569,037</u>	<u>-</u>	<u>1,569,037</u>
Total expenses	<u>3,374,875</u>	<u>-</u>	<u>3,374,875</u>
Change in Net Assets	1,151,332	653,648	1,804,980
Net Assets, Beginning of Year	<u>1,674,714</u>	<u>3,512,106</u>	<u>5,186,820</u>
Net Assets, End of Year	<u>\$ 2,826,046</u>	<u>\$ 4,165,754</u>	<u>\$ 6,991,800</u>

Friends of South Dakota Public Broadcasting
Statement of Activities
Year Ended June 30, 2020

	2020 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Membership contributions	\$ 2,015,766	\$ 410,188	\$ 2,425,954
Grants, gifts, and donations	321,489	59,597	381,086
Underwriting	663,642	-	663,642
Net investment return	23,886	-	23,886
Change in value of beneficial interests in assets held by community foundations	-	106,092	106,092
Special events, net	19,090	-	19,090
Miscellaneous	12,760	-	12,760
Net assets released from restrictions	43,000	(43,000)	-
Total revenue and other support	<u>3,099,633</u>	<u>532,877</u>	<u>3,632,510</u>
Expenses			
Program services expenses	<u>1,624,336</u>	<u>-</u>	<u>1,624,336</u>
Supporting services expenses			
Management and general	187,338	-	187,338
Fundraising	<u>1,512,928</u>	<u>-</u>	<u>1,512,928</u>
Total supporting services expenses	<u>1,700,266</u>	<u>-</u>	<u>1,700,266</u>
Total expenses	<u>3,324,602</u>	<u>-</u>	<u>3,324,602</u>
Change in Net Assets	<u>(224,969)</u>	<u>532,877</u>	<u>307,908</u>
Net Assets, Beginning of Year			
As previously reported	1,830,307	2,919,191	4,749,498
Prior period adjustment	<u>69,376</u>	<u>60,038</u>	<u>129,414</u>
As restated	<u>1,899,683</u>	<u>2,979,229</u>	<u>4,878,912</u>
Net Assets, End of Year	<u>\$ 1,674,714</u>	<u>\$ 3,512,106</u>	<u>\$ 5,186,820</u>

Friends of South Dakota Public Broadcasting

Statement of Functional Expenses

Year Ended June 30, 2021

	Program Supporting SDPB	Management and General	Fundraising			Total	Total
			Membership	Major Giving	Underwriting		
Salaries	\$ -	\$ 50,153	\$ 229,919	\$ 192,282	\$ 127,815	\$ 550,016	\$ 600,169
Employee benefits	-	18,381	53,973	45,670	20,242	119,885	138,266
Travel	-	7,166	186	7,195	5,393	12,774	19,940
Dues and subscriptions	-	5,884	4,060	-	-	4,060	9,944
Meetings	-	6,544	3,739	13,625	1,054	18,418	24,962
Contract services	-	7,856	-	35,435	-	35,435	43,291
Office supplies	-	24,132	38,699	11,509	7,242	57,450	81,582
Insurance	-	12,855	-	-	-	-	12,855
Postage	-	686	19,878	-	808	20,686	21,372
Telephone	-	5,343	30,241	959	714	31,914	37,257
Professional services	-	64,558	-	-	-	-	64,558
Occupancy	-	656	106,323	1,970	1,313	109,606	110,262
Advertising and promotion	-	1,276	-	150	2,959	3,109	4,385
Direct mail	-	-	211,494	-	-	211,494	211,494
Telemarketing	-	-	76,437	-	-	76,437	76,437
Membership recognition	-	10,052	4,370	12,067	1,185	17,622	27,674
Bank fees	-	117	55,340	-	-	55,340	55,457
Depreciation	-	296	25,383	889	593	26,865	27,161
Other	-	-	34	1,937	-	1,971	1,971
Contributions to South Dakota Public Broadcasting (SDPB)							
Direct	1,352,746	-	-	-	-	-	1,352,746
Indirect	453,092	-	-	-	-	-	453,092
	<u>\$ 1,805,838</u>	<u>\$ 215,955</u>	<u>\$ 860,076</u>	<u>\$ 323,688</u>	<u>\$ 169,318</u>	<u>\$ 1,353,082</u>	<u>\$ 3,374,875</u>

Friends of South Dakota Public Broadcasting

Restated Statement of Functional Expenses - Restated

Year Ended June 30, 2020

	Program Supporting SDPB	General and Administrative	Fundraising			Total	Total
			Membership	Major Giving	Underwriting		
Salaries	\$ -	\$ 44,264	\$ 258,698	\$ 160,885	\$ 137,635	\$ 557,218	\$ 601,482
Employee benefits	-	8,921	58,787	34,368	30,652	123,807	132,728
Travel	-	3,322	5,581	8,837	5,920	20,338	23,660
Dues and subscriptions	-	1,780	4,150	-	2,000	6,150	7,930
Meetings	-	13,729	5,629	27,587	585	33,801	47,530
Contract services	-	3,290	281	122,170	-	122,451	125,741
Office supplies	-	18,154	38,068	5,501	3,493	47,062	65,216
Training and development	-	-	685	-	-	685	685
Insurance	-	9,044	-	-	-	-	9,044
Postage	-	138	16,901	-	310	17,211	17,349
Telephone	-	5,434	22,702	1,611	2,107	26,420	31,854
Professional services	-	66,197	-	-	-	-	66,197
Occupancy	-	727	125,292	2,180	1,453	128,925	129,652
Advertising and promotion	-	9,132	-	280	1,127	1,407	10,539
Direct mail	-	-	213,237	-	-	213,237	213,237
Telemarketing	-	-	102,626	-	-	102,626	102,626
Membership recognition	-	2,911	2,543	5,920	-	8,463	11,374
Bank fees	-	-	62,467	-	-	62,467	62,467
Depreciation	-	295	25,326	886	591	26,803	27,098
Other	-	-	-	-	13,857	13,857	13,857
Contributions to South Dakota Public Broadcasting (SDPB)							
Direct	1,206,556	-	-	-	-	-	1,206,556
Indirect	417,780	-	-	-	-	-	417,780
	<u>\$ 1,624,336</u>	<u>\$ 187,338</u>	<u>\$ 942,973</u>	<u>\$ 370,225</u>	<u>\$ 199,730</u>	<u>\$ 1,512,928</u>	<u>\$ 3,324,602</u>

Friends of South Dakota Public Broadcasting

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020 (Restated)
Operating Activities		
Change in net assets	\$ 1,804,980	\$ 307,908
Adjustments to reconcile change in net assets to net cash used from operating activities		
Depreciation	27,161	27,098
Realized and unrealized (gains) losses on investments	(192,332)	3,481
Change in value of beneficial interests in assets held by community foundations	(786,704)	(106,092)
Contribution in the form of PPP loan forgiveness	(125,900)	-
Changes in operating assets and liabilities		
Underwriting receivables	(25,541)	108,609
Promises to give	(5,737)	(41,910)
Prepaid expenses	(30,946)	(284)
Accounts payable and accrued liabilities	(44,155)	40,385
Deferred revenue	(29,506)	(25,476)
Proceeds from PPP loan	-	125,900
Net Cash from Operating Activities	591,320	439,619
Investing Activities		
Purchase of property and equipment	(7,500)	-
Contribution to community foundation, net of distributions received	9,292	52,190
Proceeds from sales of investments	395,078	485,244
Purchases of investments	(771,297)	(910,911)
Net Cash used for Investing Activities	(374,427)	(373,477)
Change in Cash and Cash Equivalents	216,893	66,142
Cash and Cash Equivalents, Beginning	160,869	94,727
Cash and Cash Equivalents, Ending	\$ 377,762	\$ 160,869

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.

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, 2021 and 2020, no allowance was deemed necessary. The Organization underwriting accounts receivable as of July 1, 2020 was \$150,121.

Promises to Give

The Organization records unconditional promises to give when received. The Organization determined the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. No allowance for uncollectible promises to give was recorded as of June 30, 2021 and 2020.

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. 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 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 the Organization 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 Fund is held and invested by the community foundations for the benefit of the Organization and is 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-imposed 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 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 restrictions. Some donor-imposed 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 substantially 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 statements of functional expenses present the natural classification detail of expenses by function, which presents 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 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, money market accounts, and certificates of deposit 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. 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.

Subsequent Events

Management has evaluated subsequent events through December 15, 2021, 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:

	<u>2021</u>	<u>2020</u> (Restated)
Cash and cash equivalents	\$ 377,762	\$ 160,869
Underwriting receivable	67,053	41,512
Pledges receivable	<u>306,811</u>	<u>242,727</u>
	<u>\$ 751,626</u>	<u>\$ 445,108</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, 2021 and 2020

Assets measured at fair value on a recurring basis at June 30, 2021 and 2020, respectively, are as follows:

	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
<u>June 30, 2021</u>				
Money market funds (at cost)	\$ 529,601	\$ -	\$ -	\$ -
Equity ETFs/Common Stock	902,522	902,522	-	-
Fixed income ETFs	498,421	498,421	-	-
U.S Treasury bonds and notes	56,560	-	56,560	-
Other	44,574	-	44,574	-
Beneficial interest in assets held by community foundations	<u>3,735,380</u>	<u>-</u>	<u>-</u>	<u>3,735,380</u>
	<u>\$ 5,767,058</u>	<u>\$ 1,400,943</u>	<u>\$ 101,134</u>	<u>\$ 3,735,380</u>
<u>June 30, 2020 - Restated</u>				
Money market funds (at cost)	\$ 532,326	\$ -	\$ -	\$ -
Equity ETFs/Common Stock	477,506	477,506	-	-
Fixed income ETFs	284,705	284,705	-	-
U.S Treasury bonds and notes	113,345	-	113,345	-
Preferred stock	43,053	43,053	-	-
Other	12,192	-	12,192	-
Beneficial interest in assets held by community foundations	<u>2,957,968</u>	<u>-</u>	<u>-</u>	<u>2,957,968</u>
	<u>\$ 4,421,095</u>	<u>\$ 805,264</u>	<u>\$ 125,537</u>	<u>\$ 2,957,968</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 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, 2021 and 2020

Following is a reconciliation for Level 3 assets measured on a recurring basis for the years ended June 30, 2021 and 2020:

	Assets Held by Community Foundations
Balance at July 1, 2019 - Restated	\$ 2,904,066
Total gains or losses	
Included in change in net assets, net of fees	106,092
Purchases and sales	
Contributions	59,597
Distributions	(111,787)
Balance at June 30, 2020 - Restated	2,957,968
Total gains or losses	
Included in change in net assets, net of fees	786,704
Purchases and sales	
Distributions	(9,292)
Balance at June 30, 2021	\$ 3,735,380

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, 2021 and 2020:

	2021	2020
Within one year	\$ 306,811	\$ 242,727
In one to five years	263,048	323,795
Over five years	3,780	1,380
	\$ 573,639	\$ 567,902

At June 30, 2021 and 2020, four donors and three donors accounted for 51% and 35% of total promises to give, respectively. As of June 30, 2021 and 2020, \$89,750 and \$109,700 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 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, 2021 and 2020 is as follows:

	<u>Sioux Falls</u>	<u>South Dakota</u>	<u>Black Hills</u>	<u>Total</u>
Balance, July 1, 2019 - Restated	\$ 2,635,176	\$ 98,435	\$ 170,455	\$ 2,904,066
Contributions	-	-	59,597	59,597
Net investment return	114,300	10,095	5,373	129,768
Investment management fees	(19,586)	(942)	(3,148)	(23,676)
Distributions	<u>(100,584)</u>	<u>(5,030)</u>	<u>(6,173)</u>	<u>(111,787)</u>
Balance, June 30, 2020 - Restated	2,629,306	102,558	226,104	2,957,968
Net investment return	728,470	19,768	66,013	814,251
Investment management fees	(22,914)	(998)	(3,635)	(27,547)
Distributions	<u>-</u>	<u>(2,427)</u>	<u>(6,865)</u>	<u>(9,292)</u>
Balance, June 30, 2021	<u>\$ 3,334,862</u>	<u>\$ 118,901</u>	<u>\$ 281,617</u>	<u>\$ 3,735,380</u>

Designated Funds

Designated funds that name the Organization as a beneficiary that were directly established at the community foundations by various donors are not recorded as assets for the Organization until the respective foundation has determined the annual amounts to be distributed. The foundations 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 foundation'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, 2021 and 2020 is as follows:

	<u>Sioux Falls</u>	<u>South Dakota</u>	<u>Watertown</u>	<u>Total</u>
Balance, July 1, 2019 - Restated	\$ 1,061,281	\$ 117,083	\$ -	\$ 1,178,364
Contributions	-	2,000	-	2,000
Net investment return	58,627	4,909	-	63,536
Investment management fees	(8,178)	(648)	-	(8,826)
Distributions	<u>(41,856)</u>	<u>-</u>	<u>-</u>	<u>(41,856)</u>
Balance, June 30, 2020 - Restated	1,069,874	123,344	-	1,193,218
Contributions	-	3,130	9,500	12,630
Net investment return	278,144	24,330	495	302,969
Investment management fees	(9,004)	(1,229)	(29)	(10,262)
Distributions	<u>-</u>	<u>(3,933)</u>	<u>-</u>	<u>(3,933)</u>
Balance, June 30, 2021	<u>\$ 1,339,014</u>	<u>\$ 145,642</u>	<u>\$ 9,966</u>	<u>\$ 1,494,622</u>

Note 6 - 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.

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 2,031,678	\$ -	\$ 2,031,678

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,463,127	\$ -	\$ 1,463,127

Changes in Endowment net assets for the years ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,463,127	\$ -	\$ 1,463,127
Investment return, net	212,821	-	212,821
Contributions	355,730	-	355,730
Appropriation of endowment assets	-	-	-
Endowment net assets, end of year	\$ 2,031,678	\$ -	\$ 2,031,678

Changes in Endowment net assets for the years ended June 30, 2020 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,040,941	\$ -	\$ 1,040,941
Investment return, net	23,886	-	23,886
Contributions	430,800	-	430,800
Appropriation of endowment assets	(32,500)	-	(32,500)
Endowment net assets, end of year	<u>\$ 1,463,127</u>	<u>\$ -</u>	<u>\$ 1,463,127</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for investment assets that attempt to provide a predictable stream of income for the funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Investment assets include those assets of donor-specific funds that the Organization will designate for a specific purpose as well as board-designated funds. Under this policy, the assets are invested in a manner that seeks both preservation of capital and growth of capital on a real return basis. Asset allocation guidelines have been established for the assets based on liquidity needs and time horizon. The rebalancing of assets will occur annually, or as needed and will be reviewed by the board of directors. 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.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's Board of Directors elected to defer any spending and retain any or all such amounts in the endowment, and approve appropriations as needed.

Note 7 - 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 \$35,186 and \$31,211 for the years ended June 30, 2021 and 2020, respectively.

Note 8 - Paycheck Protection Program (PPP) Loan

The Organization received a \$125,900 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Organization initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization recognized \$125,900 as contribution revenue for the year ended June 30, 2021 as the Organization has received loan forgiveness from the SBA effective March 26, 2021.

Note 9 - Revenue from Underwriting Contracts

The following table provides information about significant changes in deferred revenue for the years ended June 30, 2021 and 2020.

	2021	2020 (Restated)
Deferred revenue, beginning of period	\$ 97,820	\$ 110,296
Revenue recognized that was included in deferred revenue at the beginning of the year	(97,820)	(110,296)
Increases in deferred revenue due to cash received during the year	68,314	97,820
Deferred revenue, end of period	\$ 68,314	\$ 97,820

Note 10 - 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 \$1,352,746 and \$1,206,556 in support to SDPB for the years ended June 30, 2021 and 2020, respectively.

Certain expenses related to SDPB's operations, including some salaries and rent, are paid by the Organization, which were \$97,074 and \$93,445 for the years ended June 30, 2021 and 2020, respectively. In addition, the Organization paid \$252,423 and \$224,718 on behalf of SDPB for operating expenses for the years ended June 30, 2021 and 2020, respectively.

The Organization paid \$103,595 and \$99,617 for the years ended June 30, 2021 and 2020, respectively, on behalf of SDPB for fees on a contract with South Dakota High School Activities Association.

Note 11 - Restatement Resulting from Correction of Errors

During 2021, the Organization identified errors in the 2020 financial statements as it relates to the following:

- Promises to give with multiyear pledges due in future years were reclassified from current assets to other assets and from net assets without restrictions to net assets with restrictions correcting an understatement of net assets with restrictions and an overstatement of net assets without restrictions;
- A portion of a commingled community foundation fund that included donor contributions received directly by the community foundation was removed as an asset of the Organization correcting an overstatement of beneficial interest in assets held by community foundations;
- Leasehold improvements paid for and expensed by the Organization in prior years was capitalized correcting an understatement of property and equipment, and;
- A portion of underwriting contracts in which the performance obligation had not yet been delivered were recognized as deferred revenue correcting an understatement of deferred revenue.

In addition, the Organization identified material reclassifications in the statement of functional expenses between program services, general and administrative, and fundraising that had no impact to changes in net assets. The material reclassifications were the result of a change in the methodology utilizing management's chart of account structure. Board designated investments were reclassified from current assets to assets limited as to use on the statement of financial position. In addition, there was an overstatement in revenue and expenses by \$93,445 relating to salaries and rent reimbursed by South Dakota Public Broadcasting; an understatement of depreciation expense of \$27,099 relating to leasehold improvements; and a reclassification of investment fees of \$30,446 to net investment return included in total revenue and other support which was previously presented as an operating expense.

Accordingly, amounts reported within the accompanying financial statements have been restated in the 2020 financial statements now presented to correct these errors and reclassifications.

Friends of South Dakota Public Broadcasting

Notes to Financial Statements

June 30, 2021 and 2020

The effect on the Organization's statement of financial position as of June 30, 2020 is as follows:

	As Previously Reported	Correction of Error and Reclassifications	As Restated
Current Assets			
Underwriting receivables	\$ 46,942	\$ (5,430)	\$ 41,512
Promises to give receivable	567,902	(325,175)	242,727
Investments	1,463,127	(1,463,127)	-
Total current assets	2,239,124	(1,793,732)	445,392
Assets Limited as to Use			
Investments	-	1,463,127	1,463,127
Property and equipment			
Leasehold improvements	-	406,475	406,475
Accumulated depreciation	(52,611)	(76,779)	(129,390)
Total property and equipment	-	329,696	329,696
Other Assets			
Promises to give receivable	-	325,175	325,175
Beneficial interest in assets held by community foundations	3,081,312	(123,344)	2,957,968
Total other assets	3,081,312	201,831	3,283,143
Total assets	5,320,436	200,922	5,521,358
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities	62,264	48,554	110,818
Accrued leave payable	48,554	(48,554)	-
Deferred revenue	-	97,820	97,820
Total current liabilities	236,718	97,820	334,538
Net Assets			
Without donor restrictions - undesignated	539,279	(327,692)	211,587
Total without donor restrictions	2,002,406	(327,692)	1,674,714
With donor restrictions			
Perpetual in nature	3,081,312	(123,344)	2,957,968
Time-restricted for future periods	-	554,138	554,138
Total with donor restrictions	3,081,312	430,794	3,512,106
Total net assets	5,083,718	103,102	5,186,820
Total liabilities and net assets	5,320,436	200,922	5,521,358

Friends of South Dakota Public Broadcasting

Notes to Financial Statements

June 30, 2021 and 2020

The effect of the Organization's statement of activities for the year ended June 30, 2020 is as follows:

	As Previously Reported	Correction of Error and Reclassifications	As Restated
Net Assets Without Donor Restrictions			
Revenue and Other Support			
Membership contributions	\$ 2,425,954	\$ (410,188)	\$ 2,015,766
Underwriting	656,595	7,047	663,642
Investment income	33,489	(33,489)	-
Net unrealized gain/loss on investments	(3,481)	3,481	-
Net investment return	-	23,886	23,886
Miscellaneous	106,204	(93,444)	12,760
Net assets released from restrictions	34,152	8,848	43,000
Total revenue and other support	3,593,492	(493,859)	3,099,633
Expenses			
Program services expenses	1,760,894	(136,558)	1,624,336
Supporting services expenses			
Management and general	658,364	(471,026)	187,338
Fundraising	1,002,135	510,793	1,512,928
Total supporting services expenses	1,660,499	39,767	1,700,266
Total expenses	3,421,393	(96,791)	3,324,602
Change in Net Assets Without Donor Restrictions	172,099	(397,068)	(224,969)
Net Assets Without Donor Restrictions			
Beginning of Year	1,830,307	69,376	1,899,683
End of Year	2,002,406	(327,692)	1,674,714
Net Assets With Donor Restrictions			
Revenue and Other Support			
Membership contributions	-	410,188	410,188
Grants, gifts, and donations	61,597	(2,000)	59,597
Investment income	73,458	(73,458)	-
Net unrealized gain/loss on investments	61,218	(61,218)	-
Change in value of beneficial interests in assets held by community foundations	-	106,092	106,092
Net assets released from restrictions	(34,152)	(8,848)	(43,000)
Total revenue and other support	162,121	370,756	532,877
Change in Net Assets With Donor Restrictions	162,121	370,756	532,877
Net Assets With Donor Restrictions			
Beginning of Year	2,919,191	60,038	2,979,229
End of Year	3,081,312	430,794	3,512,106
Change in Total Net Assets	334,220	(26,312)	307,908
Net Assets, Beginning of Year	4,749,498	129,414	4,878,912
Net Assets, End of Year	5,083,718	103,102	5,186,820

Friends of South Dakota Public Broadcasting

Notes to Financial Statements

June 30, 2021 and 2020

The effect of the Organization's statement of cash flows for the year ended June 30, 2020 is as follows:

	As Previously Reported	Correction of Error and Reclassifications	As Restated
Operating Activities			
Change in net assets	\$ 334,220	\$ (26,312)	\$ 307,908
Depreciation	-	27,098	27,098
Realized and unrealized losses on investments	-	3,481	3,481
Change in value of beneficial interests in assets held by community foundations, net	-	(106,092)	(106,092)
Underwriting receivables	103,179	5,430	108,609
Deferred revenue	(13,000)	(12,476)	(25,476)
Proceeds from PPP loan	-	125,900	125,900
Net Cash from Operating Activities	422,591	17,029	439,620
Investing Activities			
Changes in investments	(482,347)	482,347	-
Contribution to community foundation, net of distributions received	-	52,190	52,190
Proceeds from sales of investments	-	485,244	485,244
Purchases of investments	-	(910,911)	(910,911)
Net Cash used for Investing Activities	(482,347)	108,870	(373,477)
Financing Activities			
Proceeds from debt	125,900	(125,900)	-

The effect of the Organization's statement of functional expenses for the year ended June 30, 2020 is as follows:

	As Previously Reported	Correction of Error and Reclassifications	As Restated
Program services	\$ 1,760,894	\$ (136,558)	\$ 1,624,336
General and administrative	658,364	(471,026)	187,338
Fundraising	1,002,135	510,793	1,512,928
Total expenses	3,421,393	(96,791)	3,324,602

Note 12 - Leases

The Organization leases building space under various lease agreements with varying terms. Total lease expense for all rental agreements was \$179,364 and \$208,087 for the years ended June 30, 2021 and 2020, respectively, which \$110,262 and \$129,652 is the Organization's portion and the remaining is paid by the Organization on behalf of SDPB (Note 10).

Minimum future lease payments for non-cancelable rental agreements are as follows:

<u>Years Ending June 30,</u>	
2022	\$ 176,112
2023	172,705
2024	175,158
2025	135,973
2026	130,188
Thereafter	<u>691,054</u>
	<u><u>\$ 1,481,190</u></u>