



Financial Statements
June 30, 2022 and 2021

Friends of South Dakota Public Broadcasting

Friends of South Dakota Public Broadcasting

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June 30, 2022 and 2021

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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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Friends of South Dakota Public Broadcasting (the Organization) which comprise the statements of financial position as of June 30, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Correction of Error

As discussed in Note 13 to the financial statements, a certain error was discovered as it relates to an irrevocable trust the Organization was listed as a beneficiary, which resulted in an understatement of amounts previously reported for net assets with donor restrictions, beneficial interest in charitable trust, and change in value of beneficial interest in charitable trust. Accordingly, amounts reported have been restated in the 2021 financial statements now presented to correct the error. 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Eide Bailly LLP

Sioux Falls, South Dakota
October 17, 2022

Friends of South Dakota Public Broadcasting
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021 (Restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 599,140	\$ 377,762
Underwriting receivables	86,674	67,053
Promises to give	113,407	306,811
Prepaid expenses	32,870	31,230
Total current assets	832,091	782,856
Assets Limited as to Use		
Investments	3,491,182	2,031,678
Property and Equipment		
Leasehold improvements	406,475	406,475
Furniture and equipment	66,445	60,111
Accumulated depreciation	(185,032)	(156,551)
Total property and equipment	287,888	310,035
Other Assets		
Promises to give, net of current portion	159,675	266,828
Beneficial interest in assets held by community foundations	3,309,894	3,735,380
Beneficial interest in charitable trust	172,631	210,699
Total other assets	3,642,200	4,212,907
	\$ 8,253,361	\$ 7,337,476
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 87,061	\$ 66,663
Deferred revenue	69,239	68,314
Total current liabilities	156,300	134,977
Net Assets		
Without donor restrictions		
Undesignated	779,669	794,368
Designated by the Board for endowment	3,491,182	2,031,678
	4,270,851	2,826,046
With donor restrictions	3,826,210	4,376,453
Total net assets	8,097,061	7,202,499
	\$ 8,253,361	\$ 7,337,476

See Notes to Financial Statements

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Other Support			
Membership contributions	\$ 2,007,735	\$ -	\$ 2,007,735
Grants, gifts, and donations	2,094,996	143,079	2,238,075
Underwriting	974,188	-	974,188
Net investment return	(179,860)	-	(179,860)
Change in value of beneficial interests in assets held by community foundations	-	(438,988)	(438,988)
Change in value of beneficial interest in charitable trust	-	(38,068)	(38,068)
Miscellaneous	235	-	235
Net assets released from restrictions	216,266	(216,266)	-
Total revenue and other support	<u>5,113,560</u>	<u>(550,243)</u>	<u>4,563,317</u>
Expenses			
Program services expenses	<u>1,934,428</u>	<u>-</u>	<u>1,934,428</u>
Supporting services expenses			
Management and general	281,494	-	281,494
Fundraising	<u>1,452,833</u>	<u>-</u>	<u>1,452,833</u>
Total supporting services expenses	<u>1,734,327</u>	<u>-</u>	<u>1,734,327</u>
Total expenses	<u>3,668,755</u>	<u>-</u>	<u>3,668,755</u>
Change in Net Assets	1,444,805	(550,243)	894,562
Net Assets, Beginning of Year	<u>2,826,046</u>	<u>4,376,453</u>	<u>7,202,499</u>
Net Assets, End of Year	<u>\$ 4,270,851</u>	<u>\$ 3,826,210</u>	<u>\$ 8,097,061</u>

Friends of South Dakota Public Broadcasting

Statement of Activities

Year Ended June 30, 2021 (Restated)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Membership contributions	\$ 1,908,181	\$ -	\$ 1,908,181
Grants, gifts, and donations	1,244,723	93,850	1,338,573
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
Change in value of beneficial interest in charitable trust	-	25,788	25,788
Contribution in the form of Paycheck Protection Program (PPP) loan forgiveness	125,900	-	125,900
Miscellaneous	7,650	-	7,650
Net assets released from restrictions	226,906	(226,906)	-
Total revenue and other support	4,526,207	679,436	5,205,643
Expenses			
Program services expenses	1,842,391	-	1,842,391
Supporting services expenses			
Management and general	203,634	-	203,634
Fundraising	1,328,850	-	1,328,850
Total supporting services expenses	1,532,484	-	1,532,484
Total expenses	3,374,875	-	3,374,875
Change in Net Assets	1,151,332	679,436	1,830,768
Net Assets, Beginning of Year			
As previously reported	1,674,714	3,512,106	5,186,820
Prior period adjustment	-	184,911	184,911
As restated	1,674,714	3,697,017	5,371,731
Net Assets, End of Year	\$ 2,826,046	\$ 4,376,453	\$ 7,202,499

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

	Program Supporting SDPB	Management and General	Fundraising			Total	Total
			Membership	Major Giving	Underwriting		
Salaries	\$ -	\$ 74,917	\$ 247,637	\$ 199,909	\$ 201,134	\$ 648,680	\$ 723,597
Employee benefits	-	23,305	61,022	62,176	28,347	151,545	174,850
Travel	-	2,028	5,919	11,763	12,991	30,673	32,701
Dues and subscriptions	-	5,990	4,060	-	-	4,060	10,050
Meetings	-	25,611	9,659	37,528	4,556	51,743	77,354
Contract services	-	4,406	107	29,190	-	29,297	33,703
Office supplies	-	27,830	46,411	7,740	6,554	60,705	88,535
Insurance	-	6,785	-	-	-	-	6,785
Postage	-	2,443	26,259	-	451	26,710	29,153
Telephone	-	4,002	29,969	2,230	1,428	33,627	37,629
Professional services	-	61,341	-	-	5,018	5,018	66,359
Occupancy	-	577	24,703	577	577	25,857	26,434
Advertising and promotion	-	1,816	-	312	6,254	6,566	8,382
Direct mail	-	-	215,078	-	-	215,078	215,078
Telemarketing	-	-	57,507	-	-	57,507	57,507
Membership recognition	-	17,584	9,958	9,159	-	19,117	36,701
Bank fees	-	21,306	54,606	-	-	54,606	75,912
Depreciation	-	621	26,617	621	621	27,859	28,480
Other	-	932	147	-	4,038	4,185	5,117
Contributions to South Dakota Public Broadcasting (SDPB)							
Direct	1,333,573	-	-	-	-	-	1,333,573
Indirect	600,855	-	-	-	-	-	600,855
	<u>\$ 1,934,428</u>	<u>\$ 281,494</u>	<u>\$ 819,659</u>	<u>\$ 361,205</u>	<u>\$ 271,969</u>	<u>\$ 1,452,833</u>	<u>\$ 3,668,755</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	\$ -	\$ 38,240	\$ 229,919	\$ 192,282	\$ 127,815	\$ 550,016	\$ 588,256
Employee benefits	-	16,725	53,973	45,670	20,242	119,885	136,610
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	-	1,904	81,567	1,904	1,904	85,375	87,279
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	1,936	-	1,970	1,970
Contributions to South Dakota Public Broadcasting (SDPB)							
Direct	1,352,746	-	-	-	-	-	1,352,746
Indirect	489,645	-	-	-	-	-	489,645
	<u>\$ 1,842,391</u>	<u>\$ 203,634</u>	<u>\$ 835,320</u>	<u>\$ 323,621</u>	<u>\$ 169,909</u>	<u>\$ 1,328,850</u>	<u>\$ 3,374,875</u>

Friends of South Dakota Public Broadcasting

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021 (Restated)
Operating Activities		
Change in net assets	\$ 894,562	\$ 1,830,768
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	28,480	27,161
Realized and unrealized losses (gains) on investments	198,350	(192,332)
Change in value of beneficial interests in assets held by community foundations	438,988	(786,704)
Change in value of beneficial interest in charitable trust	27,256	(36,227)
Contribution in the form of PPP loan forgiveness	-	(125,900)
Changes in operating assets and liabilities		
Underwriting receivables	(19,621)	(25,541)
Promises to give	300,557	(5,737)
Prepaid expenses	(1,640)	(30,946)
Accounts payable and accrued liabilities	20,398	(44,155)
Deferred revenue	925	(29,506)
Net Cash from Operating Activities	1,888,255	580,881
Investing Activities		
Purchase of property and equipment	(6,333)	(7,500)
Contribution to community foundation, net of distributions received	(13,502)	9,292
Proceeds from sales of investments	659,539	395,078
Purchases of investments	(2,317,393)	(771,297)
Net Cash used for Investing Activities	(1,677,689)	(374,427)
Financing Activities		
Distribution received from charitable trust	10,812	10,439
Change in Cash and Cash Equivalents	221,378	216,893
Cash and Cash Equivalents, Beginning	377,762	160,869
Cash and Cash Equivalents, Ending	\$ 599,140	\$ 377,762

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, 2022 and 2021, no allowance was deemed necessary. The Organization underwriting accounts receivable as of July 1, 2020 was \$41,512.

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, 2022 and 2021.

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 Charitable Trust

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

Beneficial Interest in Assets Held by Community Foundations

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

Investments

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

Net Assets

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

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

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

Revenue Recognition and Deferred Revenue

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

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been 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 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 October 17, 2022, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 599,140	\$ 377,762
Underwriting receivable	86,674	67,053
Promises to give	<u>113,407</u>	<u>306,811</u>
	<u>\$ 799,221</u>	<u>\$ 751,626</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, 2022 and 2021

Assets measured at fair value on a recurring basis at June 30, 2022 and 2021, respectively, are as follows:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>June 30, 2022</u>				
Money market funds (at cost)	\$ 1,640,710	\$ -	\$ -	\$ -
Equity ETFs/Common Stock	884,514	884,514	-	-
Fixed income ETFs	705,234	705,234	-	-
U.S Treasury bonds and notes	220,692	-	220,692	-
Other	40,032	-	40,032	-
Total investments valued at fair value	3,491,182	1,589,748	260,724	-
Beneficial interests in				
Assets held by community foundation	3,309,894	-	-	3,309,894
Charitable trust	172,631	-	-	172,631
	\$ 6,973,707	\$ 1,589,748	\$ 260,724	\$ 3,482,525
<u>June 30, 2021 - (Restated)</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	-
Total investments valued at fair value	2,031,678	1,400,943	101,134	-
Beneficial interests in				
Assets held by community foundation	3,735,380	-	-	3,735,380
Charitable trust	210,699	-	-	210,699
	\$ 5,977,757	\$ 1,400,943	\$ 101,134	\$ 3,946,079

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

Market volatility of marketable investment securities may substantially impact the value of such investments at any given time. It is possible that the value of the Organization's investments and beneficial interest in community foundations has changed significantly since June 30, 2022.

Friends of South Dakota Public Broadcasting

Notes to Financial Statements

June 30, 2022 and 2021

Following is a reconciliation for Level 3 assets measured on a recurring basis for the years ended June 30, 2022 and 2021:

	Beneficial Interests in	
	Community Foundations	Charitable Trust
Balance at July 1, 2020	\$ 2,957,968	\$ 184,911
Total gains or losses		
Included in change in net assets, net of fees	786,704	36,227
Purchases and sales		
Sales (distributions)	(9,292)	(10,439)
Balance at June 30, 2021	3,735,380	210,699
Total gains or losses		
Included in change in net assets, net of fees	(438,988)	(27,256)
Purchases and sales		
Purchases (contributions to the CF)	29,221	-
Sales (distributions)	(15,719)	(10,812)
Balance at June 30, 2022	\$ 3,309,894	\$ 172,631

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, 2022 and 2021:

	2022	2021
Within one year	\$ 113,407	\$ 306,811
In one to five years	158,475	263,048
Over five years	1,200	3,780
	\$ 273,082	\$ 573,639

At June 30, 2022 and 2021, four donors account for 37% and 51% of total promises to give, respectively. As of June 30, 2022 and 2021, \$17,170 and \$89,750 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, 2022 and 2021 is as follows:

	<u>Sioux Falls</u>	<u>South Dakota</u>	<u>Black Hills</u>	<u>Total</u>
Balance, July 1, 2020	\$ 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	-	(2,427)	(6,865)	(9,292)
Balance, June 30, 2021	<u>3,334,862</u>	<u>118,901</u>	<u>281,617</u>	<u>3,735,380</u>
Contributions	-	-	29,221	29,221
Net investment return	(357,679)	(11,806)	(39,692)	(409,177)
Investment management fees	(24,834)	(1,013)	(3,964)	(29,811)
Distributions	-	(6,048)	(9,671)	(15,719)
Balance, June 30, 2022	<u>\$ 2,952,349</u>	<u>\$ 100,034</u>	<u>\$ 257,511</u>	<u>\$ 3,309,894</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, 2022 and 2021 is as follows:

	<u>Sioux Falls</u>	<u>South Dakota</u>	<u>Watertown</u>	<u>Total</u>
Balance, July 1, 2020	\$ 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	-	(3,933)	-	(3,933)
Balance, June 30, 2021	1,339,014	145,642	9,966	1,494,622
Contributions	-	8,550	3,050	11,600
Net investment return	(179,742)	(14,126)	(1,366)	(195,234)
Investment management fees	(9,575)	(1,329)	(108)	(11,012)
Distributions	-	(5,062)	-	(5,062)
Balance, June 30, 2022	<u>\$ 1,149,697</u>	<u>\$ 133,675</u>	<u>\$ 11,542</u>	<u>\$ 1,294,914</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, 2022 is as follows:

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

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

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

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

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

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June 30, 2022 and 2021

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

	Without Donor Restriction	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

Investment and Spending Policies

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

An endowment spending-rate formula is used to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters at the end of each fiscal year to determine the spending amount for the upcoming year. During 2022, the spending rate maximum was 5 percent. In establishing this policy, the Board of Directors considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time. The Board of Directors may elect to defer any such spending and retain any or all such amounts in the endowment.

Note 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 \$41,662 and \$35,186 for the years ended June 30, 2022 and 2021, respectively.

Note 8 - Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u> (Restated)
Subject to Expenditure for Specified Purpose Sound Vision campaign	\$ 95,603	\$ -
Subject to the Passage of Time and Expenditure for Specified Purpose Promises to give that are restricted by donors, and also are unavailable for expenditure until due	248,082	430,374
Subject to the Passage of Time Beneficial interest in charitable trust	172,631	210,699
Endowment Beneficial interest in assets held by Community Foundations	<u>3,309,894</u>	<u>3,735,380</u>
	<u>\$ 3,826,210</u>	<u>\$ 4,376,453</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Expiration of time restrictions	<u>\$ 216,266</u>	<u>\$ 226,906</u>

Note 9 - 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 was uncollateralized and was fully guaranteed by the Federal government. The Organization 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 10 - Revenue from Underwriting Contracts

The following table provides information about significant changes in deferred revenue for the years ended June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of period	\$ 68,314	\$ 97,820
Revenue recognized that was included in deferred revenue at the beginning of the year	(68,314)	(97,820)
Increases in deferred revenue due to cash received during the year	<u>69,239</u>	<u>68,314</u>
Deferred revenue, end of period	<u>\$ 69,239</u>	<u>\$ 68,314</u>

Note 11 - South Dakota Public Broadcasting

The Organization provides substantial amount of support to South Dakota Public Broadcasting (SDPB) for programming. SDPB produces and broadcasts commercial-free programs and outreach projects. The Organization provided \$1,333,573 and \$1,352,746 in support to SDPB for the years ended June 30, 2022 and 2021, respectively.

Certain expenses related to SDPB's operations, including some salaries and rent, are paid by the Organization, which were \$212,259 and \$133,627 for the years ended June 30, 2022 and 2021, respectively. In addition, the Organization paid \$277,356 and \$252,423 on behalf of SDPB for operating expenses for the years ended June 30, 2022 and 2021, respectively.

The Organization paid \$111,240 and \$103,595 for the years ended June 30, 2022 and 2021, respectively, on behalf of SDPB for fees on a contract with South Dakota High School Activities Association.

Note 12 - Leases

The Organization leases building space under various lease agreements with varying terms. Total lease expense for all rental agreements was \$171,944 and \$179,364 for the years ended June 30, 2022 and 2021, respectively, which \$145,511 and \$110,262 is the Organization's portion and the remaining is paid by the Organization on behalf of SDPB (Note 11).

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June 30, 2022 and 2021

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

Years Ending June 30,	Amount
2023	\$ 172,705
2024	175,158
2025	135,973
2026	130,188
2027	132,792
Thereafter	558,262
	\$ 1,305,078

Note 13 - Restatement from Correction of Error

During 2022, a certain error was discovered as it relates to an irrevocable trust the Organization was listed as a beneficiary, which resulted in an understatement of amounts previously reported for net assets with donor restrictions, beneficial interest in charitable trust, and change in value of beneficial interest in charitable trust. Accordingly, amounts reported have been restated in the 2021 financial statements now presented to correct the error.

The effect on the Organization's statement of financial position as of June 30, 2021 is as follows:

	As Previously Reported	Correction of Error	As Restated
Other Assets			
Beneficial interest in charitable trust	\$ -	\$ 210,699	\$ 210,699
Total other assets	4,002,208	210,699	4,212,907
Total assets	7,126,777	210,699	7,337,476
Liabilities and Net Assets			
Net Assets			
With donor restrictions	4,165,754	210,699	4,376,453
Total net assets	6,991,800	210,699	7,202,499
Total liabilities and net assets	7,126,777	210,699	7,337,476

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June 30, 2022 and 2021

The effect on the Organization's statement of activities for the year ended June 30, 2021 is as follows:

	As Previously Reported	Correction of Error	As Restated
Net Assets With Donor Restrictions			
Revenue and Other Support			
Change in value of beneficial interest in charitable trust	\$ -	\$ 25,788	\$ 25,788
Total revenue and other support	653,648	25,788	679,436
Change in Net Assets With Donor Restrictions	653,648	25,788	679,436
Net Assets With Donor Restrictions			
Beginning of Year	3,512,106	184,911	3,697,017
End of Year	4,165,754	210,699	4,376,453
Change in Total Net Assets	1,804,980	25,788	1,830,768
Net Assets, Beginning of Year	5,186,820	184,911	5,371,731
Net Assets, End of Year	6,991,800	210,699	7,202,499

The effect on the Organization's statement of cash flows for the year ended June 30, 2021 is as follows:

	As Previously Reported	Correction of Error	As Restated
Operating Activities			
Change in net assets	\$ 1,804,980	\$ 25,788	\$ 1,830,768
Change in value of beneficial interest in charitable trust	-	(36,227)	(36,227)
Net Cash from Operating Activities	591,320	(10,439)	580,881
Financing Activities			
Distribution received from charitable trust	-	10,439	10,439