South Texas Public Broadcasting System, Inc.

Financial Statements and Supplementary Information

Years Ended June 30, 2023 and 2022

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Independent Auditor's Report

To the Board of Directors
South Texas Public Broadcasting System, Inc.
Corpus Christi, Texas

Opinion

We have audited the accompanying financial statements of South Texas Public Broadcasting System, Inc. (the "Station"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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 for the Audit of the Financial Statements section of our report. We are required to be independent of South Texas Public Broadcasting System, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Correction of Error

As discussed in Note 15 to the financial statements, certain error resulting in an understatement of depreciation for the assets held under a capital lease as previously reported. Accordingly, amounts reported have been restated in the 2022 financial statements 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 the financial statements in accordance with GAAP, 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 South Texas Public Broadcasting System, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 South Texas Public Broadcasting System, Inc.’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Texas Public Broadcasting System, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

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Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenue and Expenses by License Type, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Wipfli LLP

South Portland, Maine
November 2, 2023

South Texas Public Broadcasting System, Inc.
Statements of Financial Position

June 30,	2023	2022 (Restated)
ASSETS		
Cash and cash equivalents	$ 443,305	$ 829,175
Certificates of deposit	1,721,629	1,687,357
Accounts receivable	51,861	41,330
Contributions receivable	-	4,000
Prepaid expenses and other	70,970	77,816
Beneficial interest in assets	15,430	15,391
Property and equipment, net	2,179,651	6,080,730
Right of use assets - finance lease	3,531,778	-
Total assets	$ 8,014,624	$ 8,735,799
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 29,573	$ 23,987
Accrued expenses	50,420	49,092
Deferred revenue	24,398	29,561
Lease liability - finance	2,550,381	2,736,995
Total liabilities	2,654,772	2,839,635
Net assets		
Without donor restrictions	5,359,852	5,193,744
With donor restrictions	-	702,420
Total net assets	5,359,852	5,896,164
Total liabilities and net assets	$ 8,014,624	$ 8,735,799

See accompanying notes to financial statements.

South Texas Public Broadcasting System, Inc.
Statement of Activities

Year Ended June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
CPB grants	$ 912,016	$ 30,184	$ 942,200
Membership contributions	775,842	-	775,842
Special events	78,050	-	78,050
Program underwriting	255,537	-	255,537
Challenge	63,089	-	63,089
Trade-out and in-kind	116,862	-	116,862
Rent income	37,164	-	37,164
Miscellaneous income	5,086	-	5,086
Interest income	35,764	-	35,764
Net assets released from restrictions	732,604	(732,604)	-
Total revenue	3,012,014	(702,420)	2,309,594
Expenses			
Program services			
Programming and production	1,636,459	-	1,636,459
Broadcasting	340,835	-	340,835
Total program services	1,977,294	-	1,977,294
Development and underwriting	341,512	-	341,512
Management and general	527,100	-	527,100
Total expenses	2,845,906	-	2,845,906
Change in net assets	166,108	(702,420)	(536,312)
Net assets, beginning of year	5,193,744	702,420	5,896,164
Net assets, end of year	$ 5,359,852	$ -	$ 5,359,852

See accompanying notes to financial statements.

South Texas Public Broadcasting System, Inc.
Statement of Activities

Year Ended June 30, 2022 (Restated)	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenue			
CPB grants	$ 955,286	$ -	$ 955,286
Membership contributions	648,630	-	648,630
Auction	(1,600)	-	(1,600)
Special events	116,252	-	116,252
Program underwriting	239,645	25,000	264,645
Challenge	46,500	-	46,500
Trade-out and in-kind	125,664	-	125,664
Rent income	36,317	-	36,317
Miscellaneous income	17,850	-	17,850
PPP grant	181,035	-	181,035
Interest income	19,933	-	19,933
Net assets released from restrictions	188,286	(188,286)	-
Total revenue	2,573,798	(163,286)	2,410,512
Expenses			
Program services			
Programming and production	1,610,373	-	1,610,373
Broadcasting	285,784	-	285,784
Total program services	1,896,157	-	1,896,157
Development and underwriting	452,009	-	452,009
Management and general	462,746	-	462,746
Total expenses	2,810,912	-	2,810,912
Change in net assets	(237,114)	(163,286)	(400,400)
Net assets, beginning of year (as restated)	5,430,858	865,706	6,296,564
Net assets, end of year	$ 5,193,744	$ 702,420	$ 5,896,164

See accompanying notes to financial statements.

South Texas Public Broadcasting System, Inc.

Statement of Functional Expenses

Year Ended June 30, 2023	TV Program Services	FM Program Services	Broadcasting	Total Program Services	Development and Underwriting	Management and General	Total Expenses
Salaries	$ 167,827	$ 139,607	$ 172,663	$ 480,097	$ 214,683	$ 169,516	$ 864,296
Employee benefits	24,031	6,905	6,978	37,914	785	7,322	46,021
Payroll taxes	10,155	10,332	13,601	34,088	19,603	11,842	65,533
Programming	395,953	173,286	-	569,239	-	-	569,239
Depreciation	339,359	77,431	14,346	431,136	15,467	8,518	455,121
Professional services	98,368	16,710	44,898	159,976	32,204	172,118	364,298
Insurance	60,904	21,996	5,341	88,241	4,607	2,537	95,385
Program supplies	678	-	-	678	23,405	-	24,083
Utilities	-	26,647	29,684	56,331	-	81,322	137,653
Interest and fees	-	-	-	-	-	29,031	29,031
General supplies	14,774	644	922	16,340	1,635	6,002	23,977
Network memberships	-	17,627	-	17,627	-	-	17,627
Rent	-	-	14,000	14,000	-	-	14,000
Program services	14,047	-	-	14,047	-	5,708	19,755
Bank and other fees	8,891	-	1,036	9,927	17,827	3,093	30,847
Advertising	112	50	27	189	2,731	10,378	13,298
Printing and publications	764	74	-	838	7,145	738	8,721
Repairs and maintenance	747	-	16,955	17,702	-	308	18,010
Postage and shipping	181	-	370	551	255	6,849	7,655
Auto and travel	2,460	233	-	2,693	567	5,568	8,828
Line charges	-	-	8,396	8,396	-	-	8,396
Telephone	-	2,945	5,320	8,265	-	-	8,265
Computer	-	1,493	5,869	7,362	-	-	7,362
Membership dues and subscriptions	98	841	429	1,368	598	5,246	7,212
Business meetings	-	-	-	-	-	1,004	1,004
Audio and video tape	289	-	-	289	-	-	289
Total	$ 1,139,638	$ 496,821	$ 340,835	$ 1,977,294	$ 341,512	$ 527,100	$ 2,845,906

South Texas Public Broadcasting System, Inc.
Statement of Functional Expenses

Year Ended June 30, 2022 (Restated)	TV Program Services	FM Program Services	Broadcasting	Total Program Services	Development and Underwriting	Management and General	Total Expenses
Salaries	$ 125,633	$ 135,912	$ 163,335	$ 424,880	$ 265,193	$ 158,382	$ 848,455
Employee benefits	14,324	7,099	5,599	27,022	3,264	6,587	36,873
Payroll taxes	9,571	9,718	13,054	32,343	20,229	11,575	64,147
Programming	445,350	201,228	-	646,578	-	-	646,578
Depreciation	344,603	78,911	14,714	438,228	16,369	8,537	463,134
Professional services	46,000	13,866	23,170	83,036	61,515	153,738	298,289
Insurance	60,189	21,738	5,279	87,206	4,553	2,508	94,267
Program supplies	-	-	-	-	24,857	-	24,857
Utilities	-	19,495	28,436	47,931	-	77,993	125,924
Interest and fees	-	-	-	-	-	12,306	12,306
General supplies	332	856	104	1,292	30,753	4,885	36,930
Network memberships	-	14,258	-	14,258	-	-	14,258
Rent	2,466	7,671	-	10,137	-	-	10,137
Program services	25,849	-	-	25,849	-	4,320	30,169
Bank and other fees	-	-	61	61	12,220	5,337	17,618
Advertising	265	591	-	856	1,716	2,147	4,719
Printing and publications	-	69	-	69	7,904	690	8,663
Repairs and maintenance	-	9,139	21,377	30,516	-	426	30,942
Postage and shipping	-	-	643	643	162	5,818	6,623
Auto and travel	175	710	333	1,218	93	475	1,786
Line charges	1,750	8,522	-	10,272	-	-	10,272
Telephone	-	2,502	5,190	7,692	-	-	7,692
Computer	-	249	4,179	4,428	2,196	-	6,624
Membership dues and subscriptions	170	891	310	1,371	985	6,884	9,240
Business meetings	-	-	-	-	-	138	138
Audio and video tape	271	-	-	271	-	-	271
Total	$ 1,076,948	$ 533,425	$ 285,784	$1,896,157	$ 452,009	$ 462,746	$ 2,810,912

South Texas Public Broadcasting System, Inc.
Statements of Cash Flows

Years Ended June 30,	2023	2022 (Restated)
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	$ (536,312)	$ (400,400)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	193,508	463,134
Depreciation, right of use asset - finance lease	261,613	-
Change in beneficial interest	(39)	(884)
Changes in operating assets and liabilities:		
Accounts receivable	(10,531)	(8,038)
Contributions receivable	4,000	96,492
Prepaid expenses and other	6,846	46,346
Accounts payable	5,586	9,498
Accrued expenses	1,328	4,357
Refundable advance		(181,035)
Deferred revenues	(5,163)	1,011
Net cash flows from operating activities	(79,164)	30,481
Cash flows from investing activities:		
Net purchases of certificates of deposit	(34,272)	(18,539)
Purchase of property and equipment	(85,820)	(14,624)
Net cash flows from investing activities	(120,092)	(33,163)
Cash flows from financing activities:		
Net repayments on line-of-credit	-	(15,466)
Principal payments on capital leases	(186,614)	(202,164)
Net cash flows from financing activities	(186,614)	(217,630)
Net changes in cash and cash equivalents	(385,870)	(220,312)
Cash and cash equivalents, beginning of year	829,175	1,049,487
Cash and cash equivalents, end of year	$ 443,305	$ 829,175

See accompanying notes to financial statements.

Note 1: Summary of Significant Accounting Policies

Nature of Activities

South Texas Public Broadcasting System, Inc. (the Station), a not-for-profit corporation, which is committed to educating, enlightening, and inspiring all communities of South Texas throughout the Coastal Bend region. The Station operates a public television station, KEDT- TV Channel 16 (“TV”), and two public radio stations, KEDT 90.3 FM and KVRT 90.7 FM (“FM”).

Basis of Accounting

The financial statements of the Station are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor-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 (or certain grantor) restrictions.

Net assets with donor restrictions: Net assets subject to donor (or certain grantor) imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restriction expires within the same reporting period in which the contribution is received. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with GAAP, 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 revenue, support, and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Station considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

Certificates of deposit are carried at cost plus accrued interest. Certificates of deposit bear interest at rates ranging from 3% to 4% and have maturities ranging up to twenty-four months. Any penalties for early withdrawal would not have a material effect on the financial statements.

Accounts Receivable

Accounts receivable consist primarily of underwriting and other various receivables. They are carried at original amounts billed, less an estimate for doubtful receivables based on periodic review by management. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience to determine uncollectible amounts. Accounts receivable are written off when deemed uncollectible. Recoveries of amounts previously written off are recorded when received.

Contributions receivable

Unconditional promises to give are recorded as receivables in the year pledged. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Promises to give whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions. Unrestricted promises to give to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without restrictions when received, unless the donor’s intention is to support current-period activities.

Promises to give expected to be collected in less than one year are reported at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge.

Management individually reviews all past due promises to give balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of promises to give are reduced by allowances that reflect management's estimate of uncollectible amounts.

Beneficial Interest in Assets Held by Community Foundation

The Station placed funds with Coastal Bend Community Foundation (the "Community Foundation") for the benefit of the Station. The Station granted variance power to the Community Foundation, 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 Foundation’s Board of Directors, such 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 Foundation for the Station's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Purchased property and equipment are recorded at cost and donated equipment are recorded at fair value at the date of donation. Maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed. Depreciation is provided on a straight-line basis over the estimated lives of the respective assets ranging from three to forty years.

Grant Revenue

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

- **Grant Awards That Are Contributions** - Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

- **Grant Awards That Are Exchange Transactions** - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Revenue and Revenue Recognition

The Station recognizes revenue from ticket sales at the time of the event. The Station records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place over time.

Revenues from production contracts, lease agreements, other rentals and services are recognized in the period earned or stipulated in the agreement, as performance obligations are satisfied over time.

Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.

Note 1: Summary of Significant Accounting Policies (Continued)

Contribution Revenue (Continued)

- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Underwriting revenues are contributions to the Station to support its programming or activities in the form of underwriting credit. Nothing of commensurate value is exchanged for underwriting credit, and the Station provides refunds for any underwriting revenues collected if the spots are not aired. Therefore, underwriting revenues contain a barrier to overcome and a right of return or a right of release of the obligation, and are recognized as revenue when the related underwriting credits are aired.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Station. Contributed advertising and promotion are recorded at the fair value of the contribution portion of the total value received.

Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Station reports gifts of equipment, professional services, materials and other nonmonetary contributions as support in the accompanying statements of activities. If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded.

Deferred Revenue

Income from advance rental payments and the unearned portions of education and program revenue is deferred and recognized over the period to which the dues and fees relate.

Note 1: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been reported on a functional basis in the statements of activities. The statements of functional expenses present the natural classification details of expenses by function. Expenses which directly benefit the program, and management and general are charged to the respective functional area on the basis of actual cost. Accordingly, certain other personnel, office, and building costs have been allocated across functional groups based on salaries and benefits per functional classification.

Advertising Costs

The Station expenses advertising costs as incurred. Advertising expense totaled $13,298 and $4,719 for the years ended 2023 and 2022, respectively.

Income Tax Status

The Station is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, though it is subject to tax on income unrelated to its exempt purpose. Accordingly, no provision or liability for income taxes has been included in the financial statements. Management does not believe there are any uncertain tax positions as of June 30, 2023 and 2022.

Adoption of Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No.2016-02, Leases (Topic 842). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Station adopted this guidance for the year ended June 30, 2023, with modified retrospective application to July 1, 2022, through a cumulative effect adjustment. The Station has elected the package of practical expedients permitted in Accounting Standards Codification (ASC) Topic 842. Accordingly, the Station accounted for its existing capital lease as a finance lease under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Corporation did not reassess service contracts evaluated for lease treatment under FASB ASC 840 for embedded leases under FASB ASC 842.

Note 1: Summary of Significant Accounting Policies (Continued)

As a result of the adoption of the new lease accounting guidance, the Station recognized the following right of use (ROU) asset and lease liability of July 1, 2022:

ROU assets - finance lease	$3,793,391
Lease obligations - finance lease	$2,736,995

ASC 842 Lease Accounting

The Station is a lessee in a noncancelable financing lease. If the contract provides the Station the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Station has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for finance leases is amortized on a straight-line basis over the lease term.

For all underlying classes of assets, the Station has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Station is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Station recognizes short-term lease cost on a straight-line basis over the lease term.

The Station made an accounting policy election for buildings to not separate the lease components of a contract and its associated non-lease components (i.e. lessor-provided maintenance and other services). For all other underlying classes of assets, the Station separates lease and non-lease components to determine the lease payment.

Note 2: Liquidity and Availability of Financial Resources

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:

As of June 30,	2023	2022
Cash and cash equivalents	$ 443,305	$ 829,175
Certificates of deposit	1,721,629	1,687,357
Accounts receivable	51,861	41,330
Contributions receivable	-	4,000
Total financial assets	2,216,795	2,561,862
Less: amounts not available to be used within one year		
Net assets with donor restrictions		(702,420)
Financial assets available to meet general expenditures over the next twelve months	$ 2,216,795	$ 1,859,442

The Station manages its liquidity and reserves following three principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Note 3: Concentration of Credit Risk

The Station maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000. At certain times during the year, cash balances may be in excess of FDIC coverage. As of June 30, 2023, the Station has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Note 4: Beneficial Interest in Assets Held by Community Foundation

The Station has a beneficial interest in a fund held by Coastal Bend Community Foundation (the “Community Foundation”) for the purpose of helping to further and carry out the charitable and educational purposes of the Station and its programs. As of June 30, 2023 and 2022, the fair value of the fund was $15,430 and $15,391, respectively.

Contractually, the Community Foundation retains legal ownership of principal amounts contributed. However, because the Station names itself as the beneficiary of such contributions, even though the variance power is explicitly stated in the gift instrument to the Community Foundation, the fair value of the fund is reported in the statement of financial position as beneficial interest in assets held by others.

Note 5: Property and Equipment

Property and equipment consist of the following:

As of June 30,	2023	2022
Land	$ 22,200	$ 22,200
Buildings	-	5,247,042
Transmitters and leasehold improvements - TV	1,970,880	1,897,933
Transmitters and leasehold improvements - FM	1,541,787	1,528,914
Station equipment - TV	2,102,772	2,102,772
Station equipment - TV	377,954	377,954
Office equipment and fixtures	240,748	240,748
Vehicles	8,961	8,961
	6,265,302	11,426,524
Less: Accumulated depreciation	(4,085,651)	(5,345,794)
Total	$ 2,179,651	$ 6,080,730

Note 6: Line of Credit

The Station has a secured bank line of credit for borrowings to a maximum of $300,000. Interest is variable based on the bank's prime rate plus .5%, with a floor rate of 5%. The line of credit is secured by all Station accounts, payments, grants, and all proceeds therefrom. As of June 30, 2023 and 2022, there was no outstanding balance.

Note 7: Leases - FASB ASC 842

The Station leases a building. The lease entered into includes one or more options to renew. The renewal terms can extend the lease term up to 40 additional years. The exercise of lease renewal options is at the Station's sole discretion. Renewal option periods were assessed to not be applicable under ASC 842.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Station's lease agreement does not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contract include fixed payment and variable payments. The Station’s office space leases does not require it to make variable payments other than the interest payment. The variable lease payments are not included in lease payments used to determine the lease liability and are recognized as variable costs when incurred.

Note 7: Leases - FASB ASC 842 (Continued)

Components of lease expense were as follows for the year ended June 30, 2023:

Lease cost:		
Finance lease cost:		
Interest	$	29,031
Amortization of right-of-use asset		261,613
Total lease cost	$	290,644

Supplemental statement of financial position information related to leases is as follows as of June 30, 2023:

Weighted-average remaining lease term - finance lease	13.5
Weighted-average discount rate - finance lease	0%

Maturities of lease liabilities are as follows as of June 30, 2023:

2024	$	186,612
2025		186,612
2026		186,612
2027		186,612
2028		186,612
Thereafter		1,617,321
Total	$	2,550,381

Note 8: Capital Leases - FASB ASC 840

As previously disclosed in the Station's 2022 financial statements and pursuant to FASB ASC 840, Leases, the predecessor to FASB ASC 842 the Station, in fiscal year 2012, entered into a non-binding Memorandum of Understanding ("MOU") with Del Mar College District with respect to the development, financing, construction, equipping, maintenance, management and operation of an office/studio/ broadcasting facility with related antenna site on a campus of Del Mar College (the "College") in Corpus Christi, Texas. Pursuant to the MOU, the Station and the College entered into a ground lease for the land upon which the Station has constructed a TV tower facility and a satellite dish farm.

The Station entered into a separate broadcasting facilities lease with the College in February 2013. This lease incorporated and superseded the ground lease noted above. Terms under this broadcasting facilities lease provide an original term of 20 years with the option to renew the lease agreement for four successive ten-year periods. The monthly rent payment is a function of the final costs of construction plus interest at the College's cost of funds rate.

Note 8: Capital Leases - FASB ASC 840 (Continued)

The Station relocated its broadcasting facilities to the College's campus during fiscal year 2016. The Station and the College also entered into a joint agreement setting forth, among other things, the terms under which a portion of the leased facilities are shared.

The monthly lease payments of $15,551 began February 2017. The monthly payments will be made over a 20 year period. Quarterly interest payments are paid based upon the College's cost of funds rate and are required until the cost of construction is repaid in full. The College's cost of funds rate ranged between approximately 0.3% to 1.9% for the year ended 2022. For the year ended 2022, interest payments were approximately $29,000.

This capital lease was reclassified to lease liability - finance as of July 1, 2022, and the building is now included as a right-of-use asset (see Note 1). The following is a summary of property held under a capital lease at June 30, 2022:

As of June 30,		2022
Building	$	5,247,042
Less: accumulated depreciation		(1,452,911)
Total	$	3,794,131

The following is a schedule by years of future minimum payments required under the lease as of June 30, 2022:

2023	$	186,612
2024		186,612
2025		186,612
2026		186,612
2027		186,612
Thereafter		1,803,935
Total	$	2,736,995

Interest is not reflected in the future maturities schedule as the rate is variable based on the College's cost of funds. See interest payments and rates for year ended 2022, above.

The College donates services of approximately $8,900 per month for the years ended 2022, respectively, for the use of utilities, custodial services and security services pursuant to the broadcasting facilities lease agreement.

Note 9: Tower Leases

The Station leases broadcasting tower space to a nonaffiliated entity under a lease agreement. The terms of the agreement extend through December 2027 and provide the lessee the right to broadcast non-commercial radio programming. The lessee has the option to renew the lease agreement for three successive five-year periods. Revenue from this lease was approximately $37,000 and $36,000 for the years ended 2023 and 2022, respectively.

Future minimum lease revenues, are as follows at June 30, 2023:

Years Ending June 30,	Amount
2024	$ 37,800
2025	38,600
2026	39,400
2027	40,200
2028	10,000
Total	$ 166,000

Note 10: Net Assets with Donor Restriction

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

As of June 30,	2023	2022
ARPA grant	$ -	$ 677,420
Underwriting	-	25,000
Total	$ -	$ 702,420

Net assets were 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:

Years Ended June 30,	2023	2022
Passage of time	$ -	$ 102,201
Programming and general operations	732,604	86,085
Total	$ 732,604	$ 188,286

Note 11: CPB Grants

Grant revenue from CPB consist of the following:

Years Ended June 30,		2023		2022
Annual Community Service Grants	$	942,200	$	955,286
Total	$	942,200	$	955,286

Note 12: Contributed Nonfinancial Assets

Contributed nonfinancial assets consist of the following:

Years Ended June 30,		2023		2022
Utilities, custodial services and security services	$	111,645	$	107,000
Professional services		-		12,800
Fundraising activities		5,217		5,864
Total contributed nonfinancial assets	$	116,862	$	125,664

The contributed utilities, custodial services and security services are reported at the estimated share of operating costs related to the leased property.

Contributed services recognized comprise professional services are reported at the estimated fair value based on current rates for similar services.

It is the Station's policy to sell all contributed vehicles immediately upon receipt at auction or for salvage unless the vehicle is restricted for use in a specific program by the donor. All vehicles were sold and valued according to the actual cash proceeds on their disposition.

Note 13: Paycheck Protection Program

The Station has determined the Small Business Administration’s (SBA) Paycheck Protection Program (PPP) award is a conditional grant and has applied the policy as described in Note 1. Accordingly, the award is reported as a refundable advance liability until the conditions are substantially met or explicitly waived.

The Station has interpreted the condition of the award to be the approval of the forgiveness application by the lender and SBA. In November 2021, the Station received notice the forgiveness application had been approved in full and the full amount of the award was recognized as revenue.

Note 14: Supplemental Cash Flow Information

Supplemental cash flow disclosures are as follows:	2023	2022
Cash paid during the year for:		
Interest	$ 29,031	$ 12,306

Noncash investing and financing activities:

As of July 1, 2022, a capital lease obligation totaling $2,736,994 was reclassified as a finance lease liability and net property and equipment totaling $3,793,391 was reclassified as a ROU asset - finance lease. See Note 1.

Note 15: Restatement of Previously Issued Financial Statement

The financial statements as of and for the year ended June 30, 2022, have been restated to correct errors for an understatement of depreciation of assets under a capital lease. Accordingly, an adjustment of $134,894 was made to increase accumulated depreciation and depreciation expense for the year ended June 30, 2022. The adjustment also had a cumulative effect on beginning net assets without donor restrictions and accumulated depreciation as of July 1, 2021, of $478,915.

Note 16: Subsequent Events

Management has evaluated subsequent events through November 2, 2023, the date of the independent auditor’s report, the date the financial statements were available to be issued.

South Texas Public Broadcasting System, Inc.
Schedule of Revenue and Expenses by License Type

Years Ended June 30,	2023 TV	2023 FM	2023 Total	2022 TV	2022 FM	2022 Total
Revenues:						
CPB grants	$ 801,753	$ 140,447	$ 942,200	$ 826,578	$ 128,708	$ 955,286
Membership contributions	522,795	253,047	775,842	446,728	201,902	648,630
Auction	-	-	-	(1,600)	-	(1,600)
Special events	78,050	-	78,050	116,252	-	116,252
Program underwriting	105,192	150,345	255,537	95,548	169,097	264,645
Challenge	63,089	-	63,089	46,500	-	46,500
Trade-out and in-kind	71,279	45,583	116,862	76,344	49,320	125,664
Rent income	37,164	-	37,164	36,317	-	36,317
Miscellaneous income	549	4,537	5,086	17,850	-	17,850
PPP grant	-	-	-	126,724	54,311	181,035
Interest income	35,146	618	35,764	19,399	534	19,933
Total revenue	1,715,017	594,577	2,309,594	1,806,640	603,872	2,410,512
Expenses						
Programming and production	1,139,638	496,821	1,636,459	1,076,948	533,425	1,610,373
Broadcasting	271,181	69,654	340,835	241,334	44,450	285,784
Development and underwriting	203,955	137,557	341,512	322,899	129,110	452,009
Management and general	396,473	130,627	527,100	364,297	98,449	462,746
Total expenses	2,011,247	834,659	2,845,906	2,005,478	805,434	2,810,912
Net change	$ (296,230)	$ (240,082)	$ (536,312)	$ (198,838)	$ (201,562)	$ (400,400)

See independent auditor's report.