

VPM Media Corporation

Consolidated Financial Statements

June 30, 2023 and 2022



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VPM MEDIA CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of VPM Media Corporation
Richmond, Virginia

Opinion

We have audited the accompanying consolidated financial statements of VPM Media Corporation and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of VPM Media Corporation and its subsidiaries as of June 30, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of VPM Media Corporation and its subsidiaries 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.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, consolidating statement of activities, and consolidated schedule of revenue and expenses for annual financial report are presented for the purpose of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink, appearing to read "Keita", with a stylized, flowing script.

December 12, 2023
Glen Allen, Virginia

VPM MEDIA CORPORATION

Consolidated Statements of Financial Position June 30, 2023 and 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 11,725,770	\$ 8,817,484
Accounts receivable, net	634,293	1,420,603
Contributions receivable - current	267,539	34,000
Inventory	52,975	53,362
Prepaid expenses	274,472	253,680
Total current assets	12,955,049	10,579,129
Contributions receivable, net - noncurrent	430,342	7,000
Property and equipment, net	7,696,728	6,329,643
Right of use operating lease assets, net	1,019,158	-
Intangible assets	1,755,899	1,755,899
Investments (see Notes 2 and 6)	169,936,187	170,332,346
Total assets	<u>\$ 193,793,363</u>	<u>\$ 189,004,017</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Notes payable - current (see Note 11)	\$ 263,820	\$ 619,088
Accounts payable	977,365	1,245,068
Spectrum auction proceeds payable - current (see Note 19)	-	404,710
Accrued expenses	387,065	506,406
Operating lease liabilities, current portion	204,985	-
Deferred revenue	355,905	353,681
Total current liabilities	2,189,140	3,128,953
Operating lease liabilities, long-term portion	833,766	-
Notes payable - noncurrent (see Note 11)	-	263,457
Total liabilities	<u>3,022,906</u>	<u>3,392,410</u>
Net assets:		
Without donor restrictions:		
Undesignated	188,675,702	184,099,713
Board designated - general purposes (see Note 1)	328,153	328,153
Board designated - VPM News initiatives (see Note 1)	500,000	750,000
Total net assets without donor restrictions	189,503,855	185,177,866
With donor restrictions	1,266,602	433,741
Total net assets	<u>190,770,457</u>	<u>185,611,607</u>
Total liabilities and net assets	<u>\$ 193,793,363</u>	<u>\$ 189,004,017</u>

See accompanying notes to the consolidated financial statements.

VPM MEDIA CORPORATION

Consolidated Statements of Activities Year Ended June 30, 2023, with Comparative Totals for 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support and revenue:				
Operating:				
Community support:				
Membership contributions and corporate support	\$ 4,280,860	\$ 152,100	\$ 4,432,960	\$ 4,318,277
Underwriting	1,849,495	-	1,849,495	2,283,680
Production services	4,280,018	-	4,280,018	3,613,716
Public support - community service grants:				
Corporation for Public Broadcasting	1,482,060	-	1,482,060	1,829,466
Broadcast services:				
Data transmission	605,136	-	605,136	587,233
Capital campaign contributions (see Note 20)	-	824,562	824,562	-
Miscellaneous	307,274	-	307,274	230,163
Total operating revenue	12,804,843	976,662	13,781,505	12,862,535
Investment income (loss), net	17,017,736	-	17,017,736	(17,860,343)
Rental income	691,774	-	691,774	541,066
Gain (loss) on disposal of equipment (see Note 5)	6,473	-	6,473	(12,879)
Total support and revenue	30,520,826	976,662	31,497,488	(4,469,621)
Net assets released from restrictions	143,801	(143,801)	-	-

See accompanying notes to the consolidated financial statements.

VPM MEDIA CORPORATION

Consolidated Statements of Activities, Continued Year Ended June 30, 2023, with Comparative Totals for 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Expenses:				
Program:				
Programming and production	\$ 14,577,721	\$ -	\$ 14,577,721	\$ 16,369,781
Broadcast and engineering	3,615,201	-	3,615,201	3,959,241
Promotions, community engagement and education	843,478	-	843,478	1,656,674
Total program expenses	19,036,400	-	19,036,400	21,985,696
General and administrative	5,384,798	-	5,384,798	6,649,291
Fundraising	1,917,440	-	1,917,440	2,258,402
Total expenses	26,338,638	-	26,338,638	30,893,389
Change in net assets before change in minimum pension liability	4,325,989	832,861	5,158,850	(35,363,010)
Change in minimum pension liability	-	-	-	2,564,633
Total change in net assets	4,325,989	832,861	5,158,850	(32,798,377)
Net assets at beginning of year	185,177,866	433,741	185,611,607	218,409,984
Net assets at end of year	\$ 189,503,855	\$ 1,266,602	\$ 190,770,457	\$ 185,611,607

See accompanying notes to the consolidated financial statements.

VPM MEDIA CORPORATION

Consolidated Statements of Activities Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Operating:			
Community support:			
Membership contributions and corporate support	\$ 4,185,777	\$ 132,500	\$ 4,318,277
Underwriting	2,283,680	-	2,283,680
Production services	3,613,716	-	3,613,716
Public support - community service grants:			
Corporation for Public Broadcasting	1,829,466	-	1,829,466
Broadcast services:			
Data transmission	587,233	-	587,233
Miscellaneous	230,163	-	230,163
Total operating revenue	12,730,035	132,500	12,862,535
Investment loss, net	(17,860,343)	-	(17,860,343)
Rental income	541,066	-	541,066
Loss on disposal of equipment (see Note 5)	(12,879)	-	(12,879)
Total support and revenue	(4,602,121)	132,500	(4,469,621)
Net assets released from restrictions	245,140	(245,140)	-

See accompanying notes to the consolidated financial statements.

VPM MEDIA CORPORATION

Consolidated Statements of Activities, Continued Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Program:			
Programming and production	\$ 16,369,781	\$ -	\$ 16,369,781
Broadcast and engineering	3,959,241	-	3,959,241
Promotions, community engagement and education	1,656,674	-	1,656,674
Total program expenses	21,985,696	-	21,985,696
General and administrative	6,649,291	-	6,649,291
Fundraising	2,258,402	-	2,258,402
Total expenses	30,893,389	-	30,893,389
Change in net assets before change in minimum pension	(35,250,370)	(112,640)	(35,363,010)
Change in minimum pension liability	2,564,633	-	2,564,633
Total change in net assets	(32,685,737)	(112,640)	(32,798,377)
Net assets at beginning of year	217,863,603	546,381	218,409,984
Net assets at end of year	\$ 185,177,866	\$ 433,741	\$ 185,611,607

See accompanying notes to the consolidated financial statements.

VPM MEDIA CORPORATION

Consolidated Statements of Functional Expenses Year Ended June 30, 2023

	Program Services			General & Administrative	Fundraising	Total
	Programming & Production	Broadcast & Engineering	Community Engagement			
Salaries, wages, & benefits	\$ 3,641,785	\$ 1,155,850	\$ 571,506	\$ 3,344,492	\$ 1,056,487	\$ 9,770,120
Production	7,360,747	-	-	-	-	7,360,747
Professional services	1,234,343	71,825	73,246	801,736	256,617	2,437,767
PBS & NPR dues	1,435,131	-	-	-	-	1,435,131
Dues, professional affiliations	117,992	477,267	1,801	28,725	32,512	658,297
Information technology	3,207	502,520	-	288	-	506,015
Occupancy	-	148,439	-	267,622	-	416,061
Programming	350,804	-	-	-	-	350,804
Repairs & maintenance	6,344	231,877	-	89,173	-	327,394
Printing & publications	11,701	-	21,971	7,085	270,786	311,543
Supplies & equipment	144,428	57,796	8,421	50,449	3,505	264,599
Marketing and public relations	108,041	-	148,257	-	2,923	259,221
Utilities	-	1,202	-	243,065	-	244,267
Communications	-	12	-	159,868	24	159,904
Travel	63,938	5,691	3,818	61,363	11,490	146,300
Miscellaneous	6,500	193	5,968	122,982	5,101	140,744
Brokerage fees - UW buys	-	-	-	-	104,788	104,788
Conferences & meetings	38,646	11,260	8,064	21,100	7,868	86,938
Trades-in-kind	-	-	-	-	80,858	80,858
Premiums	-	-	-	-	76,877	76,877
Vehicle expense	6,690	15,346	321	6,822	-	29,179
Postage and shipping	1,282	1,548	105	6,220	7,604	16,759
	<u>14,531,579</u>	<u>2,680,826</u>	<u>843,478</u>	<u>5,210,990</u>	<u>1,917,440</u>	<u>25,184,313</u>
Depreciation	<u>46,142</u>	<u>934,375</u>	<u>-</u>	<u>173,808</u>	<u>-</u>	<u>1,154,325</u>
Totals	<u>\$ 14,577,721</u>	<u>\$ 3,615,201</u>	<u>\$ 843,478</u>	<u>\$ 5,384,798</u>	<u>\$ 1,917,440</u>	<u>\$ 26,338,638</u>

See accompanying notes to the consolidated financial statements.

VPM MEDIA CORPORATION

Consolidated Statements of Functional Expenses, Continued Year Ended June 30, 2022

	Program Services			General & Administrative	Fundraising	Total
	Programming & Production	Broadcast & Engineering	Community Engagement			
Salaries, wages, & benefits	\$ 2,982,941	\$ 1,138,979	\$ 662,642	\$ 3,393,570	\$ 1,034,204	\$ 9,212,336
Production	8,572,370	-	-	-	-	8,572,370
Group pension contributions	1,035,112	376,404	250,936	1,066,479	407,771	3,136,702
Professional services	1,555,289	114,121	122,139	871,946	124,797	2,788,292
PBS & NPR dues	1,386,070	-	-	-	-	1,386,070
Marketing and public relations	6,692	-	566,767	6,070	7,915	587,444
Occupancy	-	149,086	-	402,343	-	551,429
Information technology	17,711	453,758	-	32,989	-	504,458
Dues, professional affiliations	93,644	316,462	1,121	23,983	26,153	461,363
Programming	359,346	-	-	-	-	359,346
Repairs & maintenance	23,242	191,844	-	123,256	-	338,342
Printing & publications	155.00	1,156.00	28,371.00	1,988.00	274,768.00	306,438
Miscellaneous	11,738	16,270	419	246,545	4,825	279,797
Supplies & equipment	111,258	76,355	12,448	53,025	2,441	255,527
Utilities	40,458	80,917	4,760	107,096	4,760	237,991
Communications	25,005	50,009	2,942	70,375	2,942	151,273
Brokerage fees - UW buys	-	-	-	-	140,526	140,526
Trades-in-kind	-	-	-	-	109,890	109,890
Conferences & meetings	9,645	2,734	1,697	47,579	6,645	68,300
Premiums	-	-	-	-	68,100	68,100
Travel	35,826	4,696	2,142	10,082	12,653	65,399
Broadcast distribution	30,805	-	-	-	-	30,805
Bad debt expense	10,000	-	-	-	24,012	34,012
Vehicle expense	7,437	6,495	141	7,128	45	21,246
Postage and shipping	879	1,629	149	8,458	5,955	17,070
	<u>16,315,623</u>	<u>2,980,915</u>	<u>1,656,674</u>	<u>6,472,912</u>	<u>2,258,402</u>	<u>29,684,526</u>
Depreciation	<u>54,158</u>	<u>978,326</u>	<u>-</u>	<u>176,379</u>	<u>-</u>	<u>1,208,863</u>
Totals	<u>\$ 16,369,781</u>	<u>\$ 3,959,241</u>	<u>\$ 1,656,674</u>	<u>\$ 6,649,291</u>	<u>\$ 2,258,402</u>	<u>\$ 30,893,389</u>

See accompanying notes to the consolidated financial statements.

VPM MEDIA CORPORATION

Consolidated Statements of Cash Flows Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,158,850	\$ (32,798,377)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	1,154,325	1,208,863
In-kind contribution of real estate	-	149,000
Reinvested net investment income	(8,403,282)	(9,012,353)
Unrealized (gains) losses on investments, net	(8,610,992)	26,872,696
(Gain) loss on disposal of equipment	(6,473)	12,879
Intangibles converted to inventory	-	28,770
Changes in assets and liabilities:		
Accounts receivable, net	786,310	(1,133,816)
Contributions receivable	(656,881)	38,000
Operating lease assets and liabilities, net	19,593	-
Inventory	387	(53,362)
Prepaid expenses	(20,792)	267,654
Accounts payable	(267,703)	2,212
Spectrum auction proceeds payable	(404,710)	(4,000,000)
Accrued expenses	(119,341)	34,398
Prepaid/accrued pension liability	-	309,198
Deferred revenue	2,224	42,886
Net cash used in operating activities	<u>(11,368,485)</u>	<u>(18,031,352)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	24,107,724	22,989,424
Purchases of investments	(6,697,291)	(7,170,610)
Purchases of property and equipment	(2,525,198)	(1,347,749)
Purchase of Style Weekly	-	(100,000)
Proceeds from sale of equipment	10,261	42,484
Net cash provided by investing activities	<u>14,895,496</u>	<u>14,413,549</u>
Cash flows from financing activities:		
Principal payments on note payable	(618,725)	(599,303)
Net cash used in financing activities	<u>(618,725)</u>	<u>(599,303)</u>
Net change in cash	2,908,286	(4,217,106)
Cash and cash equivalents at the beginning of the year	<u>8,817,484</u>	<u>13,034,590</u>
Cash and cash equivalents at the end of the year	<u>\$ 11,725,770</u>	<u>\$ 8,817,484</u>
Supplemental disclosure of cash flow information:		
Cash payments for interest	<u>\$ 19,242</u>	<u>\$ 38,040</u>
Non-cash transactions:		
Operating lease assets obtained in exchange for lease liabilities	<u>\$ 1,192,575</u>	<u>\$ -</u>

See accompanying notes to the consolidated financial statements.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Business: VPM Media Corporation, dba VPM, ("VPM") is a nonprofit corporation whose primary operations consist of the production and/or broadcasting of instructional and noncommercial public interest television and radio programs in Central Virginia and the Shenandoah Valley over its stations WCVE, WVPT, WCVW and WCVE-FM in Richmond, WHTJ in Charlottesville, WCNV-FM in Heathsville, WMVE-FM in Chase City, WWLB-FM in Ettrick, and WBBT-FM in Powhatan, as well as digital programming. VPM is a Virginia nonstock corporation and an organization described in Internal Revenue Code section 501(c)(3), and is classified as a publicly supported organization.

Virginia Foundation for Public Media ("VFPM" or "Foundation") was incorporated under the laws of the Commonwealth of Virginia on July 10, 2017 and was created with the proceeds received from the spectrum auction (see Note 19). VFPM is a supporting organization, within the meaning of Internal Revenue Code section 509(a)(3), of VPM. VFPM initially controlled VPM. In December 2020, VPM and VFPM's Boards, respectively, approved new Articles of Incorporation and Bylaws to revise the organizational structure to change VFPM to a Type I supporting organization from a Type III supporting organization. VPM now appoints the majority of VFPM's Board members. The organizational change became effective in March 2021 following review by the Federal Communications Commission and filing with the Virginia State Corporation Commission.

In March 2020, the Corporation formed I64 Media LLC to conduct charitable and educational activities such as the creation of educational programming for public broadcasting and the sale of merchandise related to its programming. VPM is the sole member of I64 Media. I64 Media will be utilized for a number of different activities including the production of educational radio and television (visual) programs; publication of books, pamphlets and newsletters on a wide range of educational and cultural subjects; and distribution of media. As a subsidiary of VPM, I64 Media LLC activity is reported in the 2023 and 2022 consolidated financial statements.

These consolidated financial statements include the operations of VPM, VFPM, and I64 Media LLC (collectively referred to as the "Corporation") for the years ended June 30, 2023 and 2022. All intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Support and Revenue Recognition: The Corporation follows FASB issued Accounting Standard Update ("ASU") 2014-09 – Revenue Recognition from Contracts with Customers ("Topic 606"). Topic 606 affects any entity that enters into contracts with customers to transfer goods or services.

Revenue is recognized when obligations under the terms of a contract with a customer are satisfied; generally, this occurs with the transfer of control of the Corporation's products or services. Revenue is measured as the amount of total consideration expected to be received in exchange for transferring goods or providing services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer in exchange for payment and is the unit of account. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when or as the performance obligation is satisfied. Revenue from memberships is recognized over time. Revenue from corporate underwriting and production services is recognized at a point in time when performance obligations are satisfied.

The Corporation receives in advance payments primarily for data transmission and rental of tower space. These advance payments represent contract liabilities and are recorded as deferred revenue when received and reclassified to support and revenue in the period to which they are earned. The amounts related to these contract liabilities were \$355,905 and \$353,681 at June 30, 2023 and 2022. Contract liabilities were \$310,795 at July 1, 2021.

Accounts Receivable: Accounts receivable represent the Corporation's right to consideration in exchange for performance obligations satisfied. These amounts are presented net of the allowance for doubtful accounts. Accounts receivable, net related to these amounts were \$634,293 and \$1,420,603 at June 30, 2023 and 2022. Accounts receivable was \$286,787 at July 1, 2021.

Contributions Receivable: Contributions receivable are reported net of an allowance for uncollectible contributions based on management's estimate of the amount of contributions receivable that will actually be collected. At June 30, 2023 and 2022, management determined the contributions receivable were fully collectible and that no allowance was necessary.

Contributions receivable are reported at net present value in the year promised and recognized as without donor restriction or with donor restriction as appropriate. The effective interest rate for the present value discount on contributions receivable at June 30, 2023 were between 4.20% and 5.20%. There was no present value discount on contributions receivable for the year ended June 30, 2022.

Inventory: Inventory consists of merchandise for sale and is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Financial Statement Presentation: The Corporation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions include undesignated and board designated net assets. Board designated net assets represent contributions with no donor-imposed stipulations as to their purpose which the Corporation's Board of Directors have earmarked for specific purposes. At June 30, 2023, Board designated net assets include \$500,000 designated for VPM News initiatives and \$328,153 designated for general purposes. At June 30, 2022, Board designated net assets include \$750,000 designated for VPM News initiatives and \$328,153 designated for general purposes.

Net assets with donor restrictions consist of net assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include donor-imposed stipulations for specific operating purposes or for the acquisition of property or equipment. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, whereby the donor stipulates that they be maintained permanently by the Corporation to use all or part of the income earned on any related investments for general or specific purposes, in accordance with the conditions of each specific donation.

Recognition of Support, Contributions and Grants: Contributions and grants are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions and grants restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the fiscal year in which the contribution or grant is recognized. All other donor-restricted contributions and grants are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Fair Value of Financial Instruments: Due to the short-term nature of the Corporation's accounts receivable, contributions receivable, grants receivable, prepaid expenses, accounts payable, and accrued liabilities, there are no significant differences between their recorded and fair values.

Cash and Cash Equivalents: The Corporation considers highly liquid instruments purchased with a maturity date of three months or less to be cash equivalents.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Investments: All investments are measured at fair value with gains and losses included in operations (see Notes 2 and 6). Unrealized gains and losses are included in the accompanying consolidated statements of activities. Realized gains and losses on dispositions are based on the net proceeds and the carrying value of the securities sold, using the specific identification method. Interest is accrued as earned, and dividends are recorded on the ex-dividend date.

Intangible Assets: Intangible assets consist of rights to artwork of \$110,000 acquired as part of the merger with Shenandoah Valley Educational Television Corporation (SVETC), broadcast licenses of \$1,574,669 acquired as part of the acquisition of Alpha Media, LLC in 2018, and intellectual property and trademarks of \$100,000 acquired as part of the acquisition of Style Weekly in 2022. As of June 30, 2023 and 2022, intangible assets totaled \$1,755,899. The cost of rights to artwork for resale are charged to expense as the prints are sold. The broadcast licenses, intellectual property, and trademarks are considered to be indefinite-lived intangible assets and thus are not amortized. The Corporation is required to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired on an annual basis in accordance with FASB Accounting Standards Codification ("ASC") 350-30-35. As of June 30, 2023 and 2022, management determined that no qualitative factors exist that would require the Corporation to perform the quantitative test, and thus no impairment was recorded. The Corporation reclassified \$28,770 of intangible assets to inventory during 2022.

Property and Equipment: Purchased property and equipment are stated at cost. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. The Corporation capitalizes all expenditures for property and equipment over \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The lives range from 3-15 years for equipment and 5-30 years for buildings and leasehold improvements. Upon retirement or sale of an assets, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Allowance for Doubtful Accounts: The Corporation uses the reserve method of accounting for bad debts on accounts and contributions receivable for financial reporting purposes. The balance of the Corporation's allowance for doubtful accounts receivable was \$16,479 and \$20,000 at June 30, 2023 and 2022, respectively.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Concentrations of Credit Risk: Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and accounts, pledge, and contributions receivable. The majority of accounts receivable at June 30, 2023 and 2022 are from underwriting. At June 30, 2023, two customers accounted for 44% of the accounts receivable balance. At June 30, 2022, one customer accounted for 38% of the accounts receivable balance. There were no grants receivable concentrations at June 30, 2023 and 2022.

The Corporation maintains its cash balances in financial institutions, insured by the Federal Deposit Insurance Corporation up to \$250,000. The Corporation periodically has funds in excess of the federally insured limits.

Advertising Expenses: The Corporation expenses advertising costs as they are incurred. Advertising expense is included in marketing and public relations expense in the consolidated statements of functional expenses. These expenses amounted to \$259,221 for 2023 and \$587,444 for 2022.

Functional Allocation of Expenses: Program, fundraising, and administrative costs have been summarized on a functional basis in the consolidated statements of activities. Certain direct costs have been charged to programs and supporting services on the basis of the activity benefited. Expenses directly attributable to a specific functional area of the Corporation are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated. Following FASB guidance on management and general expense, depreciation is allocated based on square footage basis. All other costs are evaluated on a per invoice basis to determine what functions have been served.

Tax Status: The Internal Revenue Service has determined that VPM is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Under the provisions of Section 501, the Corporation is exempt from income taxes on income other than unrelated business income.

The Internal Revenue Service has determined that VFPM is exempt from federal income tax as a public foundation described in Section 509(a)(3). Under the provisions of Section 501, VFPM is exempt from income taxes on income other than unrelated business income.

I64 Media LLC is a limited liability company. As such, all income and losses flow through and are taxable to I64 Media LLC's member.

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Corporation has no significant financial statement exposure to uncertain income tax positions at June 30, 2023 or 2022.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Tax Status, Continued: The Corporation has adopted financial reporting guidance related to accounting for uncertainty in income taxes, which prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in the Corporation's consolidated financial statements. The guidance also provides criteria on derecognition, classification, interest and penalties, disclosure and transition. The Corporation discloses the expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the facts and the Corporation's position, and records unrecognized tax benefits or liabilities for known, or anticipated tax issues based on the Corporation's analysis of whether additional taxes would be due to the authority given their full knowledge of the tax position. The Corporation has completed its assessment and determined that there are no tax positions which would require recognition. The Corporation is not currently under audit by any tax jurisdiction.

Pension Benefits: The Corporation had a noncontributory defined benefit pension plan (the "Plan") that covered substantially all full-time employees. The Plan was frozen by The Corporation's Board of Directors as of June 30, 2006. The Plan provided benefits that were based on compensation during the last five years before retirement and total years of service. The Corporation accounts for its pension plans in accordance with FASB guidance relating to employer's accounting for defined benefit pension and other postretirement plans. The guidance requires recognition of the funded status of the Corporation's benefit plan in its consolidated statements of financial position and to recognize the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost. These amounts will be adjusted as they are subsequently recognized as components of net periodic benefit cost. The impact of changes to assumptions, including the discount rate, used to determine the minimum pension liability is shown on the accompanying consolidated statements of activities as the change in minimum pension liability (see Note 9).

The Corporation's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Corporation may determine to be appropriate from time to time.

In March 2021, the Board of Directors approved a resolution to terminate the Plan as of June 30, 2021. All appropriate notices were filed thereafter. In September 2021, the IRS approved the Plan's termination. The Corporation purchased annuities and/or distributed lump-sum payouts, as applicable, during fiscal year 2022.

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Adoption of New Accounting Standard: Effective July 1, 2022, the Corporation adopted FASB ASC 842, *Leases*. Prior to adoption of the new lease standard, only leases classified as capital leases under ASC 840, *Leases*, were recorded in the consolidated statements of financial position. The new standard establishes a right of use (“ROU”) model that requires a lessee to record an ROU asset and a lease liability on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. Leases with a term of less than 12 months will not be recorded a right of use asset and lease liability and the payments will be recognized into income on a straight line basis over the lease term.

The new lease standard requires a modified retrospective transition approach and provides an option transition method to either (1) record current existing leases as of the effective date; or (2) record leases existing as of the earliest comparative period presented in the consolidated financial statements by recasting comparative period consolidated financial statements. The Corporation adopted the new lease standard as of July 1, 2022, using the effective date as the date of application. As such, consolidated financial statement information and disclosures required under the new lease standard are not provided for dates and periods prior to July 1, 2022.

The Corporation elected to adopt the package of practical expedients available under the transition guidance within the new standard. This package relieves the requirement to reassess prior conclusions about lease identification, lease classification, or initial direct lease costs for existing or expiring leases at the point of adoption. The adoption of ASC 842 resulted in the recognition of operating lease ROU assets of \$1,192,575 and operating lease liabilities of \$1,192,575 as of July 1, 2022. The adoption of the new standard did not have a material effect on the accompanying consolidated statements of activities or cash flows.

The right of use assets and lease liabilities are initially measured at the present value of future lease payments, discounted using a risk-free rate (in leases for which the rate implicit in the lease cannot be readily determined) as of the lease commencement date or the effective date, whichever is later. The right of use assets and lease liabilities are calculated to include options to extend or terminate the lease when the Corporation determines that it is reasonably certain it will exercise those options. In making those determinations, the Corporation considers various existing economic and market factors, business strategies, as well as the nature, length, and terms of the lease agreements.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Adoption of New Accounting Standard, Continued: Certain leases may include variable lease payments as well as variable payments for items such as property taxes, insurance, maintenance, and other operating expenses associated with the leased assets. Those variable payments are excluded from the measurement of the Corporation's ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments are incurred.

The Corporation has made accounting policy elections to not recognize ROU assets and lease liabilities that arise from short-term leases for any class of underlying asset and to not separate non-lease components of lease payments from the lease components.

New Accounting Standard: In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses*. The standard amends the guidance on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities. An entity is required to present assets held at an amortized cost basis net of an allowance for all expected credit losses and any credit losses on available-for-sale debt securities are presented as an allowance rather than a write down. The new standard will be effective for periods beginning after December 15, 2022, with early adoption permitted. The Corporation is currently evaluating the reporting and economic implications of the new standard.

Reclassifications: Certain prior year balances have been reclassified to conform with current year presentation.

2. Investments:

Pursuant to its bylaws, the Corporation's Investment Committee provides general oversight of the security, funding, and investment management of the Corporation's endowment and investment assets, and review of its investment policies. The Investment Committee operates under a charter approved by the Board. The Corporation's investment policies describe overall investment objectives as well as defining types of authorized investments to provide for a diversified portfolio. Under these policies, investments are managed to maintain funds for future needs. The funds may be invested in U.S. government and corporate obligations, domestic and international equities, and other instruments meeting criteria established by the Board. Because of the long-term perspective and purpose, the Corporation's invested funds are reported as non-current assets.

Fair values by investment category are disclosed in Note 6.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

2. Investments, Continued:

Investment transactions are reported as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 3,982,611	\$ 3,626,280
Net realized gain	4,738,071	5,521,449
Net unrealized gain (loss)	<u>8,610,992</u>	<u>(26,872,696)</u>
Investment gain (loss)	17,331,674	(17,724,967)
Investment transaction costs and management fees	<u>(313,938)</u>	<u>(135,376)</u>
Investment income (loss), net	<u>\$ 17,017,736</u>	<u>\$ (17,860,343)</u>

3. Contributions Receivable:

As of June, contributors to the Corporation made unconditional written promises to give related to the following purposes:

	<u>2023</u>	<u>2022</u>
With donor restrictions:		
Capital campaign, net	\$ 680,881	\$ -
TV	7,000	39,750
Radio	<u>10,000</u>	<u>1,250</u>
Total with donor restrictions	<u>697,881</u>	<u>41,000</u>
Total contributions receivable, net	<u>\$ 697,881</u>	<u>\$ 41,000</u>

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

3. Contributions Receivable, Continued:

The Corporation projects that contributors will remit these contributions as follows:

	2023	2022
	<u>2023</u>	<u>2022</u>
Less than one year	\$ 267,539	\$ 34,000
One year to five years	<u>508,812</u>	<u>7,000</u>
	776,351	41,000
Less discount for net present value	<u>(78,470)</u>	<u>-</u>
	<u>\$ 697,881</u>	<u>\$ 41,000</u>

Management has considered the present value of contributions receivable for the year ended June 30, 2022, and has determined that the discount to net present value would be immaterial to the consolidated financial statements.

4. Due to/from Affiliates:

As of June 30, 2021, VPM had an outstanding receivable due from VFPM of \$454,620. This grant was received in fiscal year 2022. As of June 30, 2022, VPM had an outstanding receivable from VFPM of \$143,796. This grant was received in fiscal year 2023. As of June 30, 2023, VPM had an outstanding balance due to VFPM of \$325,739 and due from I64 Media of \$86,114. This amount due to/from affiliates are expected to be received and paid in fiscal year 2024.

5. Property and Equipment:

As of June 30, property and equipment consisted of the following:

	2023	2022
	<u>2023</u>	<u>2022</u>
Land	\$ 180,107	\$ 55,107
Buildings and leasehold improvements	5,941,322	5,688,484
Equipment	14,922,289	13,836,386
Construction in process	<u>830,041</u>	<u>-</u>
	21,873,759	19,579,977
Less accumulated depreciation	<u>14,177,031</u>	<u>13,250,334</u>
	<u>\$ 7,696,728</u>	<u>\$ 6,329,643</u>

Depreciation expense was \$1,154,325 for 2023 and \$1,208,863 for 2022.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

5. **Property and Equipment, Continued:**

During 2023 and 2022, the Corporation sold equipment for \$10,261 and \$42,484, respectively. The Corporation recorded a gain on disposal of \$6,473 and a loss on disposal of \$12,879 which is reflected as a component of non-operating revenue in the 2023 and 2022 consolidated statements of activities, respectively.

6. **Fair Value Measurements:**

The FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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

Level 2 Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

Corporate and US government obligations: Valued at original cost adjusted for any premium or coupon. At June 30, 2023 and 2022, the obligations have no unfunded commitments and can be redeemed immediately upon notice with no other redemption restrictions.

Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Mutual funds are valued at the net asset value ("NAV") of shares held by the Corporation at year end.

Mortgage and asset-backed securities: Valued at original cost adjusted for any premium or coupon.

Investment Fund: Valued based on the NAV per share of the investment (or its equivalent), as a practical expedient, as a) the underlying investment manager's calculation of NAV is fair value based, and b) the NAV has been calculated as of the Corporation's fiscal year end date.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

6. Fair Value Measurements, Continued:

Assets and liabilities measured at fair value on a recurring basis at June 30, 2023, include the following:

	Fair Value Using			Asset/Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Investments:				
Corporate obligations	\$ -	\$ 7,164,969	\$ -	\$ 7,164,969
Stocks	16,295,752	-	-	16,295,752
Mutual funds	105,198,560	-	-	105,198,560
Mortgage and asset-backed securities	-	11,522	-	11,522
Investments measured at NAV ^(a)				41,265,384
Total assets	<u>\$ 121,494,312</u>	<u>\$ 7,176,491</u>	<u>\$ -</u>	<u>\$ 169,936,187</u>

Assets and liabilities measured at fair value on a recurring basis at June 30, 2022, include the following:

	Fair Value Using			Asset/Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Investments:				
Corporate obligations	\$ -	\$ 7,339,882	\$ -	\$ 7,339,882
Municipal bonds	-	256,166	-	256,166
Stocks	13,641,735	-	-	13,641,735
Mutual funds	114,931,527	-	-	114,931,527
Mortgage and asset-backed securities	-	17,264	-	17,264
Investments measured at NAV ^(a)				34,145,772
Total assets	<u>\$ 128,573,262</u>	<u>\$ 7,613,312</u>	<u>\$ -</u>	<u>\$ 170,332,346</u>

^(a) In accordance with subtopic 820-10, these assets are measured at the net asset value per share (or its equivalent) as a practical expedient and have not been included in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

7. Accrued Expenses:

Accrued expenses at June 30, consisted of the following:

	<u>2023</u>	<u>2022</u>
Accrued payroll	\$ 173,463	\$ 126,173
Accrued vacation	165,306	338,493
Other accrued expenses	<u>48,296</u>	<u>41,740</u>
	<u>\$ 387,065</u>	<u>\$ 506,406</u>

8. Liquidity and Availability of Financial Assets:

The Corporation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of available funds. The Corporation's investments are regularly reviewed by its Investment Committee.

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 as of June 30 comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets available within one year:		
Cash and cash equivalents	\$ 11,725,770	\$ 8,817,484
Accounts receivable, net	634,293	1,420,603
Contributions receivable, net	267,539	34,000
Investments	<u>169,936,187</u>	<u>170,332,346</u>
Total available within one year	<u>182,563,789</u>	<u>180,604,433</u>
Less those unavailable for general expenditure within one year:		
Net assets with donor restrictions	1,266,602	433,741
Net assets with board designations	<u>828,153</u>	<u>1,078,153</u>
Total unavailable within one year	<u>2,094,755</u>	<u>1,511,894</u>
Financial assets available for general expenditure within one year	<u>\$ 180,469,034</u>	<u>\$ 179,092,539</u>

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

8. Liquidity and Availability of Financial Assets, Continued:

As part of the Corporation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Although the Corporation does not intend to spend from Board designated funds for general expenditures, these funds could be made available if necessary.

9. Retirement Plans:

The Corporation had a noncontributory defined benefit pension plan that covered all employees meeting certain service requirements. The Plan was frozen by the VPM Board of Directors as of June 30, 2006. The Corporation recognizes the funded status (the difference between the benefit obligation and the fair value of plan assets) in its consolidated statements of financial position and recognizes previously unrecognized gains or losses and prior service costs or credits. The latest actuarial valuations was as of July 1, 2021.

In March 2021, VPM's Board of Directors approved a resolution to terminate the Plan as of June 30, 2021. All appropriate notices were filed thereafter. In September 2021, the IRS approved the Plan's termination. During fiscal year 2022, VPM communicated with Plan participants, selected annuity providers, and purchased annuities and/or distributed lump-sum payouts to participants, as applicable. VPM's obligations were assumed by the annuity providers or eliminated by June 30, 2022 and the Plan was fully terminated.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

9. Retirement Plans, Continued:

The following table presents a reconciliation of the beginning and ending balances of the benefit obligation, fair value of plan assets and the funded status of the aforementioned pension plan to the net amounts measured and recognized in the 2022 consolidated statement of financial position:

Accumulated benefit obligation at the end of the year	\$ <u>-</u>
Change in projected benefit obligation:	
Projected benefit obligation at the beginning of the year	\$ 14,928,200
Interest cost	317,224
Actuarial gain	(1,579,785)
Annuity purchase premiums	(8,760,190)
Benefits paid	<u>(4,905,449)</u>
Projected benefit obligation at the end of the year	<u>-</u>
Change in plan assets:	
Fair value of plan assets at the beginning of the year	15,237,398
Actual return on plan assets	(1,834,631)
Employer contributions	262,872
Annuity purchase premiums	(8,760,190)
Benefits paid	<u>(4,905,449)</u>
Fair value of plan assets at the end of the year	<u>-</u>
Value of plan assets in excess of benefit obligation	\$ <u>-</u>

The following table provides a reconciliation on the pension activity for the year ended June 30, 2022:

Net periodic cost	\$ 3,136,703
Change in minimum pension liability	<u>(2,564,633)</u>
	572,070
Employer contributions	<u>(262,872)</u>
Change in accrued pension liability	\$ <u>309,198</u>

Net periodic cost and settlement/curtailment expense are included in group pension contributions in the accompanying 2022 consolidated statement of activities.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

9. Retirement Plans, Continued:

The following table sets forth the weighted average assumptions as of June 30, 2022:

Discount rate	N/A
Expected rate of return on plan assets	N/A
Rate of compensation increases	N/A

The following table sets forth the other significant plan information for the plan year ended June 30, 2022:

Components of net periodic pension cost:

Interest costs	\$ 317,224
Expected return on plan assets	(326,570)
Recognized losses	132,894
Settlement/curtailment expense	<u>3,013,155</u>
Net periodic cost	<u>\$ 3,136,703</u>
Benefits paid	<u>\$ 4,905,449</u>
Employer contribution	<u>\$ 262,872</u>

The Corporation also maintains a contributory defined contribution plan under IRC Section 403(b), which allows eligible employees to defer a portion of their compensation. VPM provided an employer matching contribution of 50% on employee contributions up to 8% of salary. The total expense for the 403(b) plan was \$223,357 for 2023 and \$211,947 for 2022.

10. Support Received in Exchange Transactions:

The Corporation receives various donated services from governmental agencies, corporations and businesses, and nonprofit entities in exchange for underwriting credits of a similar value to the services donated. The value of these services is determined by the actual value of the underwriting credit provided to the entity or the fair value of the contributed service. These are included as underwriting revenue and various offsetting expenses as indicated below.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

10. Support Received in Exchange Transactions, Continued:

The values of the support recognized in the consolidated financial statements through exchange transactions are as follows:

	2023	2022
TV	\$ 30,900	\$ 18,350
Radio	49,958	91,540
	<u>\$ 80,858</u>	<u>\$ 109,890</u>

This support is included in fundraising expense on the accompanying consolidated statements of functional expenses.

11. Capital Expenditure Loan:

In August 2019, VPM and the Foundation's Board approved \$2.568 million of additional capital expenditures (for property and equipment), of which approximately \$1.639 million and \$929,000 was to be paid by VFPM and VPM, respectively. In October 2019, the Corporation approved an unsecured \$2.6 million working capital line to finance the capital improvements. VPM drew \$2,116,522 on the line prior to its conversion to a fixed rate loan in May 2020. The loan accrues interest at 3.15 percent. Subsequently, the loan was amended to ensure a fixed monthly payment of \$53,163. The loan matured in November 2023. An informal agreement exists between VFPM and VPM based on the original Board-approved projects and expenses, for 66 percent of the payments made on the loan to be reimbursed by VFPM. During 2023 and 2022, \$421,056 and \$421,056 was received, respectively in reimbursement from VFPM and is included in Grants from VFPM and is eliminated in consolidation. Future maturity under the loan is \$263,820 in 2024.

Under the provisions of the loan, the Corporation is subject to specified financial and operating covenants. The Corporation is in compliance with all covenants as of June 30, 2023 and 2022, respectively.

12. Commitments and Contingencies:

The Corporation received equipment grants from federal agencies which covered the cost of specific items of equipment. The federal agencies have a lien on this equipment for a period of ten years from the date of acquisition. If during the ten-year period certain conditions are not met, or the equipment is disposed of, the Corporation could be required to refund a portion of the grant proceeds to the granting agency.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

12. Commitments and Contingencies, Continued:

The Corporation has lease agreements relating to broadcast towers. These lease agreements include instances where the Corporation owns the tower and the land on which it sits, owns the tower and leases the land, leases space on the tower owned by a third-party, and other special arrangements. In many instances the agreements may require the Corporation to return the leased land/tower to a pristine or original condition in the event the leases are terminated. Management is unable to estimate the remedial costs that would be incurred to return land to a pristine condition. Management intends to renew all tower lease agreements indefinitely; therefore, management cannot reasonably estimate a timeframe in which those costs would be incurred. The accompanying financial statements do not include any adjustments if and when these agreements are terminated. In instances where VPM owns the tower, it may take steps to transfer ownership to a third party or existing tenant.

From time to time, the Corporation is involved in litigation that it considers to be in the normal course of business. The Corporation is not presently involved in any legal proceedings which management expects individually or in the aggregate to have a material adverse effect on its financial condition, results of operations or cash flows.

13. Operating Leases:

The Corporation leased space for television and radio transmitter equipment, office equipment and space, and vehicles at an expense of approximately \$215,225 in 2023 and \$368,537 in 2022.

The Corporation has accounted for this lease as an operating lease using a weighted average risk free discount rate of 4% and the remaining lease term is 9.85 years. The following is a schedule, by year, of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2023:

<u>Year Ending June 30:</u>	<u>Amount</u>
2024	\$ 168,954
2025	103,293
2026	89,495
2027	92,166
2028	94,906
Thereafter	<u>769,084</u>
Total lease payments	1,317,898
Less amount representing interest	<u>(279,147)</u>
Total operating lease liabilities	<u>\$ 1,038,751</u>

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

14. Rental Income:

The Corporation leases space to government agencies and telecommunications companies for the placement of antennas and other communications equipment on the Corporation's broadcast towers. The following is a schedule, by year, of minimum future rentals on noncancelable operating leases as of June 30, 2023:

<u>Year Ending June 30:</u>	<u>Amount</u>
2024	\$ 1,023,457
2025	1,044,755
2026	1,054,589
2027	1,069,212
2028	1,078,590
	<u>\$ 5,270,603</u>

These amounts will be included in rental income and data transmission on the accompanying consolidated statements of activities.

In September 2006, the Corporation entered into Educational Broadband Service Long-Term Agreements to lease capacity on channels (WNC686, WHG238 and WHR972) to transmit in the Richmond, Virginia and Northern Virginia areas. The initial terms were for ten years with two renewal terms of ten years each. The Agreements automatically renewed in September 2016. VPM has been issued an irrevocable standby letter of credit that automatically terminates upon termination of the Agreements.

15. Net Assets Without Donor Restrictions:

Net assets without donor restrictions include undesignated and Board designated net assets. Board designated net assets represent contributions with no donor-imposed stipulations as to their purpose which the Corporation's Board of Directors have earmarked for specific purposes.

In 2020, the Corporation received a \$1,000,000 bequest from the Ann Lee Saunders Brown estate that the Board designated for VPM News initiatives, of which \$250,000 were released during the year ended June 30, 2023 and 2022, respectively. \$328,153 is designated for general purposes.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

16. Net Assets With Donor Restrictions:

Net assets of \$143,801 and \$245,139 were released from donor-imposed restrictions during the years ended June 30, 2023 and 2022, respectively, by incurring expenses or making capital acquisitions that satisfy the restricted purposes specified by the donor.

Net assets with donor restrictions of \$55,549 as of June 30, 2023 and \$47,250 as of June 30, 2022 consist of contributions/grants received for Ready to Learn projects, and future programming.

Net assets with donor restrictions of \$903,032 as of June 30, 2023 consist of contributions received for the capital campaign (Note 20).

Net assets with donor restrictions of \$386,491 at June 30, 2023 and 2022 consist of funds permanently restricted by donors for television and radio purposes.

17. Endowment Funds:

The Corporation's endowment (net assets with permanent donor restrictions) consists of two individual funds established by donors for television and radio purposes. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Corporation have interpreted 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 Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

17. Endowment Funds, Continued:

The remaining portions of the donor-restricted endowment fund that is not classified as restricted in perpetuity are only reclassified as net assets without donor restrictions when these amounts appropriated for expenditure are disbursed in accordance with donor restrictions in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment Investing and Spending Policies: The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment funds are invested in a manner that is intended to produce stated investment results while assuming a moderate level of investment risk. The Corporation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to achieve a total rate of return that consistently ranks in the top quartile of investments with the same average asset allocation. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Corporation 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). Historically, the Corporation has targeted a diversified asset allocation that placed a greater value on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Corporation's various endowed funds for programs and administration. The current spending policy is to distribute earnings, as available, to fund corporate operations.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

17. Endowment Funds, Continued:

Funds with Deficits: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Corporation to retain as a fund of perpetual duration. In accordance with GAAP, it is the policy of the Corporation to absorb these losses with net assets without donor restrictions. There are no deficiencies at June 30, 2023 and 2022. The Corporation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law.

18. Guarantees:

Pursuant to its Articles of Incorporation, the Corporation has certain obligations to indemnify its current and former officers and directors for certain events or occurrences while the officer or director is, or was serving, at the Corporation's request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia. The Corporation's insurance policies serve to further limit its exposure. Management believes that the estimated fair value of these indemnification obligations is minimal.

In accordance with the terms of tower rental lease agreements, the Corporation generally agrees to indemnify the lessor from certain liabilities arising as a result of the use of the leased premises, including environmental liabilities and repairs to leased property upon termination of the lease. The Corporation is responsible for all repairs and maintenance of all towers that are owned by VPM. The Corporation also leases equipment and is responsible for all damages to the equipment while in its possession, exclusive of that caused by fire, flood, or other act of God.

19. Spectrum Auction Proceeds:

During 2017, the Federal Communications Commission held a voluntary auction to purchase the right to use broadcast spectrum from commercial and public broadcasters across the country with the goal to re-sell that spectrum to wireless providers for the benefit of creating more bandwidth for mobile broadband and other wireless services. The Corporation was awarded a one-time amount of \$181,956,420 in exchange for its spectrum channels and received the proceeds in July 2017.

In accordance with a 2013 separation agreement with MHz Networks Corp., VPM was required to split the first \$20 million of spectrum auction proceeds equally with MHz, and use the remaining proceeds to create a Foundation whose purpose is to foster public media in the Commonwealth of Virginia.

VPM MEDIA CORPORATION

Notes to Consolidated Financial Statements, Continued

19. Spectrum Auction Proceeds, Continued:

In accordance with a September 2017 share agreement with MHz Foundation, Inc. (successor to MHz Networks corp.), the Corporation agreed to remit \$10 million of the balance owed over a period of six years in various installments upon satisfaction of the terms of the share agreement. The Corporation remitted \$4,500,000 to MHz from 2017 through 2021 pursuant to the share agreement, leaving \$5,500,000 to be paid to MHz in two remaining installments, the last to be paid in early calendar 2023.

In June 2021, the Corporation and MHz entered into a termination agreement that terminated the earlier separation and share agreements. Based on the termination agreement, MHz agreed to reimburse the VPM for \$1,103,891 of pension expenses for MHz division employees incurred during the period 2018 through 2021. The outstanding payable balance was reduced by \$1,103,891. This amount was reflected on VPM's consolidated statement of activities as income in 2021. VPM remitted \$4,000,000 to MHz in fiscal year 2022. The remaining payable was contingent on the needs associated with the termination of the Pension Plan to cover termination expenses for MHz division employees. In early fiscal 2023, once the Pension Plan was fully terminated, VPM remitted \$404,710 of excess funds to MHz, and VPM's payable to MHz was satisfied and MHz's obligation to the Plan was eliminated.

20. Capital Campaign:

During 2023, the Corporation announced its plan to build a new headquarters in Downtown Richmond. The Corporation intends to fund this project through a capital campaign and debt financing. The capital campaign is currently underway with pledges to give totaling \$903,032 as of June 30, 2023. As of June 30, 2023, \$143,681 of these pledges had been received.

On November 27, 2023, the Foundation incorporated a new subsidiary, 13-17 East Broad Street, LLC, to own and operate the new headquarters.

21. Subsequent Events:

The Corporation has evaluated subsequent events through December 12, 2023, the date the financial statements were available to be issued, and other than the event described in Note 20, has determined that there are no subsequent events to be reported in the accompanying consolidated financial statements.

SUPPLEMENTAL INFORMATION

VPM MEDIA CORPORATION

Consolidating Statement of Financial Position June 30, 2023

<u>Assets</u>	Virginia			Consolidating	
	VPM	Foundation for Public Media	I64 Media	Entries	Consolidated
Current assets:					
Cash and cash equivalents	\$ 1,439,799	\$ 9,508,507	\$ 777,464	\$ -	\$ 11,725,770
Accounts receivable, net	624,523	-	9,770	-	634,293
Contributions receivable - current	267,539	-	-	-	267,539
Due from affiliates	86,114	325,739	-	(411,853)	-
Inventory	-	-	52,975	-	52,975
Prepaid expenses	<u>274,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,472</u>
Total current assets	2,692,447	9,834,246	840,209	(411,853)	12,955,049
Contributions receivable, net - noncurrent	430,342	-	-	-	430,342
Property and equipment, net	6,740,944	955,784	-	-	7,696,728
Right of use operating lease assets, net	979,713	39,445	-	-	1,019,158
Intangible assets	1,574,669	-	181,230	-	1,755,899
Investment in subsidiary	210,000	-	-	(210,000)	-
Investments (see Note 2 and 6)	<u>15,503,466</u>	<u>154,432,721</u>	<u>-</u>	<u>-</u>	<u>169,936,187</u>
Total assets	<u>\$ 28,131,581</u>	<u>\$ 165,262,196</u>	<u>\$ 1,021,439</u>	<u>\$ (621,853)</u>	<u>\$ 193,793,363</u>

See independent auditor's report.

VPM MEDIA CORPORATION

Consolidating Statement of Financial Position, Continued June 30, 2023

<u>Liabilities and Net Assets</u>	Virginia				Consolidating
	VPM	Foundation for Public Media	I64 Media	Entries	Consolidated
Current liabilities:					
Notes payable - current (see Note 11)	\$ 263,820	\$ -	\$ -	\$ -	\$ 263,820
Accounts payable	696,109	276,613	4,643	-	977,365
Accrued expenses	387,065	-	-	-	387,065
Operating lease liabilities, current portion	181,634	23,351	-	-	204,985
Deferred revenue	270,372	-	85,533	-	355,905
Due to affiliates	<u>325,739</u>	<u>-</u>	<u>86,114</u>	<u>(411,853)</u>	<u>-</u>
Total current liabilities	2,124,739	299,964	176,290	(411,853)	2,189,140
Operating lease liabilities, long-term portion	<u>817,672</u>	<u>16,094</u>	<u>-</u>	<u>-</u>	<u>833,766</u>
Total liabilities	<u>2,942,411</u>	<u>316,058</u>	<u>176,290</u>	<u>(411,853)</u>	<u>3,022,906</u>
Net assets:					
Without donor restrictions:					
Undesignated	23,094,415	164,946,138	845,149	(210,000)	188,675,702
Board designated - general purposes (see Note 1)	328,153	-	-	-	328,153
Board designated - VPM News initiatives (see Note 1)	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Total net assets without donor restrictions	23,922,568	164,946,138	845,149	(210,000)	189,503,855
With donor restrictions	<u>1,266,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,266,602</u>
Total net assets	<u>25,189,170</u>	<u>164,946,138</u>	<u>845,149</u>	<u>(210,000)</u>	<u>190,770,457</u>
Total liabilities and net assets	<u>\$ 28,131,581</u>	<u>\$ 165,262,196</u>	<u>\$ 1,021,439</u>	<u>\$ (621,853)</u>	<u>\$ 193,793,363</u>

See independent auditor's report.

VPM MEDIA CORPORATION

Consolidating Statement of Activities Year Ended June 30, 2023

	VPM	Virginia Foundation for Public Media	I64 Media	Consolidating Entries	Consolidated
Support and revenue:					
Operating:					
Community support:					
Membership contributions and corporate support	\$ 4,432,460	\$ 500	\$ -	\$ -	\$ 4,432,960
Underwriting	1,625,963	-	223,532	-	1,849,495
Production services	4,042,258	-	237,760	-	4,280,018
Public support - community service grants:					
Corporation for Public Broadcasting	1,482,060	-	-	-	1,482,060
Broadcast services:					
Data transmission	605,136	-	-	-	605,136
Grants from Foundation	8,922,617	-	-	(8,922,617)	-
Capital campaign contributions	824,562	-	-	-	824,562
Miscellaneous	305,305	-	1,969	-	307,274
Total operating revenue	22,240,361	500	463,261	(8,922,617)	13,781,505
Investment income, net	1,631,996	15,382,278	3,462	-	17,017,736
Rental income	691,774	-	-	-	691,774
Gain on disposal of assets	6,473	-	-	-	6,473
Total support and revenue	24,570,604	15,382,778	466,723	(8,922,617)	31,497,488

See independent auditor's report.

VPM MEDIA CORPORATION

Consolidating Statement of Activities, Continued Year Ended June 30, 2023

	VPM	Virginia Foundation for Public Media	I64 Media	Consolidating Entries	Consolidated
Expenses:					
Salaries, wages, & benefits	\$ 9,683,456	\$ 1,723,233	\$ 86,664	\$ (1,723,233)	\$ 9,770,120
Production	7,329,391	-	31,356	-	7,360,747
Professional services	2,202,728	171,931	63,108	-	2,437,767
PBS & NPR dues	1,435,131	-	-	-	1,435,131
Depreciation	1,153,550	775	-	-	1,154,325
Dues, professional affiliations	658,297	-	-	-	658,297
Information technology	506,015	-	-	-	506,015
Occupancy	387,336	28,725	-	-	416,061
Programming	350,804	-	-	-	350,804
Repairs and maintenance	327,394	-	-	-	327,394
Printing and publications	311,543	-	-	-	311,543
Supplies & equipment	263,556	1,043	-	-	264,599
Marketing and public relations	259,221	-	-	-	259,221
Utilities	244,267	-	-	-	244,267
Communications	159,904	-	-	-	159,904
Travel	118,150	28,150	-	-	146,300
Miscellaneous	140,202	-	542	-	140,744
Brokerage fees - UW buys	104,788	-	-	-	104,788
Conferences and meetings	86,938	-	-	-	86,938
Trades - in-kind	80,858	-	-	-	80,858
Premiums	76,877	-	-	-	76,877
Vehicle expense	29,179	-	-	-	29,179
Postage and shipping	16,759	-	-	-	16,759
Grant expense	-	6,778,328	-	(6,778,328)	-
Loan expense	-	421,056	-	(421,056)	-
Total expenses	<u>25,926,344</u>	<u>9,153,241</u>	<u>181,670</u>	<u>(8,922,617)</u>	<u>26,338,638</u>
Total change in net assets	(1,355,740)	6,229,537	285,053	-	5,158,850
Net assets at beginning of year	<u>26,544,910</u>	<u>158,716,601</u>	<u>560,096</u>	<u>(210,000)</u>	<u>185,611,607</u>
Net assets at end of year	<u>\$ 25,189,170</u>	<u>\$ 164,946,138</u>	<u>\$ 845,149</u>	<u>\$ (210,000)</u>	<u>\$ 190,770,457</u>

See independent auditor's report.

VPM MEDIA CORPORATION

Consolidated Schedule of Revenue and Expenses for Annual Financial Report Year Ended June 30, 2023

	Radio	TV	AFR Total	I64 Media LLC Excluded from AFR	VFPM Excluded from AFR	Consolidated Total
Support and revenue:						
Operating:						
Community support:						
Membership contributions and corporate support	\$ 1,627,845	\$ 3,489,445	\$ 5,117,290	\$ -	\$ 500	\$ 5,117,790
Underwriting - program	1,106,050	371,164	1,477,214	-	-	1,477,214
Underwriting - production	17,734	3,226,534	3,244,268	252,106	-	3,496,374
Underwriting - in-kind/trades	49,958	30,900	80,858	-	-	80,858
Production services	-	495,322	495,322	-	-	495,322
Foundation production grants	-	8,922,617	8,922,617	-	(8,922,617)	-
Grants general	15,000	18,000	33,000	-	-	33,000
Public support - community service grants:						
Corporation for Public Broadcasting	207,105	1,274,955	1,482,060	-	-	1,482,060
State & Federal Capital Grants (Capital Amortization)	-	500,000	500,000	-	-	500,000
Broadcast services:						
Data transmission	-	605,136	605,136	-	-	605,136
Distribution	-	-	-	209,188	-	209,188
Gain on disposal of equipment	-	6,473	6,473	-	-	6,473
MHz Pension Reimbursement	-	22,892	22,892	-	-	22,892
Royalties	-	10,290	10,290	-	-	10,290
Miscellaneous	12	249,391	249,403	4,590	-	253,993
Merchandise Sales	-	10	10	840	-	850
Total operating revenue	3,023,704	19,223,129	22,246,833	466,724	(8,922,117)	13,791,440
Investment income, net	-	1,631,996	1,631,996	-	15,636,629	17,268,625
Rental income	-	691,774	691,774	-	-	691,774
Total support and revenue per Annual Financial Report (AFR)	\$ 3,023,704	\$ 21,546,899	\$ 24,570,603	\$ 466,724	\$ 6,714,512	\$ 31,751,839

See independent auditor's report.

VPM MEDIA CORPORATION

Consolidated Schedule of Revenue and Expenses for Annual Financial Report, Continued Year Ended June 30, 2023

	Radio	TV	AFR Total	I64 Media LLC Excluded from AFR	VFPM Excluded from AFR	Consolidated Total
Expenses:						
Program:						
Programming and production	\$ 2,310,940	\$ 12,230,948	\$ 14,541,888	\$ 156,949	\$ -	\$ 14,698,837
Broadcast and engineering	510,585	2,501,815	3,012,400	-	-	3,012,400
Community engagement	280,172	563,306	843,478	-	-	843,478
Total program expenses	3,101,697	15,296,069	18,397,766	156,949	-	18,554,715
General and administrative	662,642	4,948,493	5,611,135	24,722	484,975	6,120,832
Fundraising	624,465	1,292,977	1,917,442	-	-	1,917,442
Total expenses per AFR	4,388,804	21,537,539	25,926,343	181,671	484,975	26,592,989
Total change in net assets per AFR	\$ (1,365,100)	\$ 9,360	\$ (1,355,740)	\$ 285,053	\$ 6,229,537	\$ 5,158,850

See independent auditor's report.