

**CAPITOL BROADCASTING ASSOCIATION, INC.
dba KMFA CLASSICAL 89.5 AND AFFILIATE
(A NONPROFIT CORPORATION)**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Capitol Broadcasting Association, Inc. and Affiliate
Austin, Texas

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Capitol Broadcasting Association, Inc. dba KMFA-Classical 89.5 (a nonprofit corporation) (KMFA) and its affiliate, KMFA Permanent Endowment Fund (a nonprofit trust) (PEF) (collectively, the Company), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Capitol Broadcasting Association, Inc. and Affiliate as of December 31, 2022 and 2021 and the its changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company 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.

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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 of America. Management is also responsible 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audits 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 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 consolidated 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 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 the Company'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, during the year ended December 31, 2022, the Company adopted Accounting Standards Updates No. 2016-02, *Leases* (Topic 842) and No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to these matters.

Brown, Graham & Company, P.C.

Austin, Texas
August 14, 2023

CAPITOL BROADCASTING ASSOCIATION, INC.
dba KMFA-CLASSICAL 89.5 AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 1,205,041	\$ 1,648,943
Accounts receivable:		
Trade	78,998	54,795
Pledges, net of allowance of \$38,725 for both years (Note 2)	156,819	401,157
Prepaid expenses	<u>39,276</u>	<u>45,668</u>
Total current assets	1,480,134	2,150,563
Right of use asset - tower lease (Note 12)	<u>502,803</u>	<u>-</u>
Property and equipment, net (Note 4)	<u>8,983,871</u>	<u>9,019,008</u>
Other non-current assets:		
Accounts receivable - pledges, net of current portion (Note 2)	153,880	250,336
Restricted cash equivalents - PEF (Notes 3 and 5)	33,669	27,766
Restricted investments - PEF (Notes 3 and 5)	<u>1,336,255</u>	<u>1,571,868</u>
Total other non-current assets	<u>1,523,804</u>	<u>1,849,970</u>
Total assets	\$ <u>12,490,612</u>	\$ <u>13,019,541</u>

The accompanying notes are an integral part of these consolidated financial statements.

CAPITOL BROADCASTING ASSOCIATION, INC.
dba KMFA-CLASSICAL 89.5 AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED
YEARS ENDED DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
Current liabilities:		
Accounts payable	\$ 55,400	\$ 49,830
Accrued liabilities	47,753	52,410
Construction and retainage payable	-	9,479
Deferred revenue	24,679	22,933
Refundable advances - grants	22,250	20,000
Note payable - bank (Note 7)	-	300,000
Deferred lease liability	-	9,583
Current portion of operating lease liability (Note 12)	<u>101,074</u>	<u>-</u>
Total current liabilities	251,156	464,235
Operating lease liability, net of current portion (Note 12)	<u>409,169</u>	<u>-</u>
Total liabilities	<u>660,325</u>	<u>464,235</u>
Net assets:		
Without donor restrictions	<u>10,079,082</u>	<u>10,437,668</u>
With donor restrictions (Note 8):		
Purpose restrictions	340,281	482,004
Perpetual in nature	<u>1,410,924</u>	<u>1,635,634</u>
Total net assets with donor restrictions	<u>1,751,205</u>	<u>2,117,638</u>
Total net assets	<u>11,830,287</u>	<u>12,555,306</u>
Total liabilities and net assets	<u>\$ 12,490,612</u>	<u>\$ 13,019,541</u>

The accompanying notes are an integral part of these consolidated financial statements.

CAPITOL BROADCASTING ASSOCIATION, INC.
dba KMFA-CLASSICAL 89.5 AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and grants	\$ 1,354,630	\$ 55,009	\$ 1,409,639
CPB community service grants	-	212,927	212,927
Underwriting	244,039	-	244,039
On-air barter revenue	42,918	-	42,918
Special events	118,266	-	118,266
Facility rental	82,563	-	82,563
In-kind donations (Note 13):			
Vehicles	119,625	-	119,625
Equity securities	19,502	-	19,502
Net investment income (loss)	5,814	(202,623)	(196,809)
Other income	473	-	473
Net assets released from restrictions pursuant to endowment distribution policy (Note 5)	55,578	(55,578)	-
Net assets released from restrictions due to satisfaction of purposes	376,168	(376,168)	-
Total support and revenue	2,419,576	(366,433)	2,053,143
Expenses:			
Program services:			
Production	849,426	-	849,426
Technical	286,973	-	286,973
Events and outreach	161,210	-	161,210
Support services:			
Development	612,871	-	612,871
Marketing	279,715	-	279,715
General and administrative	587,967	-	587,967
Total expenses	2,778,162	-	2,778,162
Change in net assets	(358,586)	(366,433)	(725,019)
Net assets:			
Beginning of year	10,437,668	2,117,638	12,555,306
End of year	\$ 10,079,082	\$ 1,751,205	\$ 11,830,287

The accompanying notes are an integral part of these consolidated financial statements.

CAPITOL BROADCASTING ASSOCIATION, INC.
dba KMFA-CLASSICAL 89.5 AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$ 1,862,298	\$ 892,009	\$ 2,754,307
CPB community service grants	-	439,490	439,490
Underwriting	226,549	-	226,549
On-air barter revenue	23,642	-	23,642
In kind donations (Note 13):			
Vehicles	119,261	-	119,261
Equity securities	11,347	-	11,347
Property and equipment	10,521	-	10,521
Special events	28,514	-	28,514
Net investment income	1,022	225,923	226,945
Facility rental	27,850	-	27,850
Other income	300	-	300
Net assets released from restrictions pursuant to endowment distribution policy (Note 5)	54,095	(54,095)	-
Net assets released from restrictions due to satisfaction of purposes	<u>906,247</u>	<u>(906,247)</u>	<u>-</u>
Total support and revenue	<u>3,271,646</u>	<u>597,080</u>	<u>3,868,726</u>
Expenses:			
Program services:			
Production	694,505	-	694,505
Technical	271,110	-	271,110
Support services:			
Development	571,167	-	571,167
Marketing	237,387	-	237,387
General and administrative	<u>612,388</u>	<u>-</u>	<u>612,388</u>
Total expenses	<u>2,386,557</u>	<u>-</u>	<u>2,386,557</u>
Change in net assets	885,089	597,080	1,482,169
Net assets:			
Beginning of year	<u>9,552,579</u>	<u>1,520,558</u>	<u>11,073,137</u>
End of year	\$ <u>10,437,668</u>	\$ <u>2,117,638</u>	\$ <u>12,555,306</u>

The accompanying notes are an integral part of these consolidated financial statements.

CAPITOL BROADCASTING ASSOCIATION, INC.
dba KMFA-CLASSICAL 89.5 AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Programs			Support Services			
	Production	Technical	Events and Outreach	Development	Marketing	General and Administrative	Total
Salaries, payroll taxes and benefits	\$ 600,097	\$ -	133,211	\$ 390,641	\$ 66,726	\$ 129,994	\$ 1,320,669
Professional and contract labor	-	48,519	-	3,747	56,707	40,329	149,302
Underwriting commissions	-	-	8,406	-	68,605	-	77,011
Programming and broadcasting expenses	138,122	-	-	-	-	-	138,122
Engineering, computer and IT expenses	15,899	24,803	-	19,209	-	-	59,911
Marketing, promotion and advertising	13,377	-	-	-	87,653	67,046	168,076
Donor cultivation and fundraising	-	-	-	60,227	-	-	60,227
Rent (Note 12)	-	104,432	-	-	-	-	104,432
Electrical power & telecommunications	-	105,002	-	-	-	-	105,002
Postage and printing	2,636	-	-	58,295	-	6,978	67,909
Depreciation	6,138	4,185	-	-	-	268,664	278,987
Dues, fees and subscriptions	500	-	2,546	4,871	-	938	8,855
Insurance	5,408	-	-	-	-	21,713	27,121
Office	62,593	-	4,774	22,269	-	11,386	101,022
Staff training and development	4,609	-	-	2,720	-	25,774	33,103
Other expenses	-	-	-	37,701	24	13,094	50,819
Special events	-	-	12,273	13,191	-	-	25,464
Interest expense	47	32	-	-	-	2,051	2,130
Total	\$ <u>849,426</u>	\$ <u>286,973</u>	\$ <u>161,210</u>	\$ <u>612,871</u>	\$ <u>279,715</u>	\$ <u>587,967</u>	\$ <u>2,778,162</u>

The accompanying notes are an integral part of these consolidated financial statements.

CAPITOL BROADCASTING ASSOCIATION, INC.
dba KMFA-CLASSICAL 89.5 AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Programs		Support Services			
	Production	Technical	Development	Marketing	General and Administrative	Total
Salaries, payroll taxes and benefits	\$ 518,816	\$ -	\$ 373,543	\$ 38,617	\$ 191,374	\$ 1,122,350
Professional and contract labor	18,668	49,452	24,563	18,669	38,168	149,520
Underwriting commissions	-	-	-	78,704	-	78,704
Programming and broadcasting expenses	84,967	-	-	-	-	84,967
Engineering, computer and IT expenses	12,699	17,263	18,470	-	1,398	49,830
Marketing, promotion and advertising	5,390	-	2,136	61,903	1,870	71,299
Donor cultivation and fundraising	-	-	37,947	-	-	37,947
Rent (Note 12)	-	101,947	-	-	-	101,947
Electrical power & telecommunications	-	93,332	-	-	-	93,332
Postage and printing	2,007	-	47,332	-	5,569	54,908
Depreciation	5,700	3,886	-	-	249,483	259,069
Dues, fees and subscriptions	606	195	5,061	106	1,206	7,174
Insurance	4,854	-	-	-	19,952	24,806
Office	36,871	4,000	13,360	-	7,917	62,148
Staff training and development	1,977	-	1,454	-	25,529	28,960
Other expenses	432	-	34,853	39,388	3,458	78,131
Contributions	-	-	12,448	-	-	12,448
Special events	1,518	1,035	-	-	66,464	69,017
Total	\$ <u>694,505</u>	\$ <u>271,110</u>	\$ <u>571,167</u>	\$ <u>237,387</u>	\$ <u>612,388</u>	\$ <u>2,386,557</u>

The accompanying notes are an integral part of these consolidated financial statements.

CAPITOL BROADCASTING ASSOCIATION, INC.
dba KMFA-CLASSICAL 89.5 AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ (725,019)	\$ 1,482,169
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	278,987	259,069
Amortization of debt issuance costs included in interest expense	-	23,064
Donation of investments	(19,502)	(11,347)
Donation of property and equipment	-	10,521
Net investment (gains)/losses	196,809	(226,945)
Amortization of right-to-use asset	92,310	-
(Increase) Decrease in:		
Accounts receivable - trade	(24,203)	(22,022)
Pledges receivable	340,794	384,685
Prepaid expenses	6,392	15,002
Increase (Decrease) in:		
Accounts payable	5,570	(13,505)
Accrued liabilities	(4,657)	(34,631)
Refundable advances:		
Grant	2,250	20,000
Paycheck Protection Program	-	(237,200)
Deferred lease liability	(9,583)	-
Operating lease liability	(84,870)	-
Deferred revenue	<u>1,746</u>	<u>4,836</u>
Net cash flows from operating activities	<u>57,024</u>	<u>1,653,696</u>
Net cash flows from investing activities:		
Purchase of investments	18,306	(558,768)
Sales and maturities of investments	40,000	615,728
Payment of construction and retainage payable	(9,479)	(739,664)
Purchase of property and equipment	<u>(243,850)</u>	<u>(409,123)</u>
Net cash flows used in investing activities	<u>(195,023)</u>	<u>(1,091,827)</u>

The accompanying notes are an integral part of these consolidated financial statements.

CAPITOL BROADCASTING ASSOCIATION, INC.
dba KMFA-CLASSICAL 89.5 AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Net cash flows used in financing activities		
Payments of note payable - bank	<u>(300,000)</u>	<u>(1,007,591)</u>
Net decrease in cash, restricted cash and cash equivalents	(437,999)	(445,722)
Cash, restricted cash and cash equivalents:		
Beginning of year	<u>1,676,709</u>	<u>2,122,431</u>
End of year	\$ <u><u>1,238,710</u></u>	\$ <u><u>1,676,709</u></u>
Cash, restricted cash and cash equivalents:		
Cash and cash equivalents	\$ 1,205,041	\$ 1,648,943
Restricted cash equivalents	<u>33,669</u>	<u>27,766</u>
Total cash, restricted cash and cash equivalents	\$ <u><u>1,238,710</u></u>	\$ <u><u>1,676,709</u></u>
Supplemental disclosure of noncash operating activity:		
Right-of-use asset obtained in exchange for lease liability	\$ <u><u>595,113</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

CAPITOL BROADCASTING ASSOCIATION, INC.
dba KMFA-CLASSICAL 89.5 AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities:

Capitol Broadcasting Association, Inc. dba KMFA-Classical 89.5, a Texas nonprofit corporation (KMFA), was incorporated on October 10, 1965. The Company's main activity is the maintenance and operation of the member supported classical radio station KMFA-FM in Austin, Texas. The radio station serves Travis and surrounding counties.

Capitol Broadcasting Association, Inc. includes in its consolidated financial statements the accounts of its affiliate, KMFA Permanent Endowment Fund (a nonprofit trust) which was created for the use and benefit of KMFA (collectively, the Company). The board of trustees of the KMFA Permanent Endowment Fund is appointed by the board of trustees of Capitol Broadcasting Association, Inc. Intercompany balances and transactions have been eliminated in consolidation.

Basis of accounting and presentation:

The accompanying consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Net assets of the Company and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Company. These net assets may be used at the discretion of the Company's management and board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor-imposed restrictions are temporary in nature; these restrictions will be met by the actions of the Company or by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, whereby the donor stipulates that resources be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions on the consolidated statement of net assets.

Donated services:

Donated services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

CAPITOL BROADCASTING ASSOCIATION, INC.
dba KMFA-CLASSICAL 89.5 AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Estimates:

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

Cash equivalents consist primarily of funds invested in short-term interest-bearing accounts. The Company considers all highly liquid investments purchased with initial maturities of three months or less to be cash equivalents. Cash and cash equivalents include money market funds and cash deposits at banks and investment companies. Cash equivalents held within the permanent endowment fund are limited by donors for use for long-term purposes.

Contributions, grants and pledges receivable:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions that increase that net asset class. When a 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.

Unconditional promises to give are recorded as received. Unconditional promises to give are reflected as pledges receivable and all are recorded at their net realizable value. There is no material difference between the Company's long-term pledges receivables recorded at their net realizable value and long-term pledges receivables recorded at present value of their net realizable value, discounted using risk-free interest rates applicable to the years in which the promises were received.

Revenue recognition for grants depends on the terms of the contract. All grants received during the years ended December 31, 2022 and 2021 are classified as contributions. As of December 31, 2022 and 2021, refundable grant advances in the amounts of \$22,500 and \$20,000 are included on the statement of net position for amounts received on certain conditional promises to give prior to the Company satisfying the grants' measurable performance requirements.

Receivables and bad debts:

The Company determines the allowance for doubtful accounts based on management's assessment of the payment history with clients, donors or grantors and current relationships with them. Charging off receivables to bad debt is evaluated on a case-by-case basis.

CAPITOL BROADCASTING ASSOCIATION, INC.
dba KMFA-CLASSICAL 89.5 AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Receivables and bad debts - Continued:

Management has evaluated the pledges receivable as of December 31, 2022 and 2021 and recorded an allowance of \$38,725. No allowance for accounts receivable - trade was deemed necessary as of December 31, 2022 and 2021.

Property and equipment:

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair market value at the date of donation. Expenditures for maintenance and repair which does not extend the life of a capitalized asset are charged to expense as incurred. Assets are being depreciated over estimated useful lives of 3 to 40 years using the straight-line method (see Note 4).

Corporation for Public Broadcasting Community Service Grants:

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). The fiscal year and spending period for each CSG begins each October 1st. In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years. Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs are reported on the accompanying consolidated financial statements as increases in net assets with donor restrictions until satisfaction of the time and purpose restrictions, after which they are reported as a release from net assets with donor restrictions and an increase in net assets without donor restrictions.

Reclassifications:

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported change in net assets or net assets.

CAPITOL BROADCASTING ASSOCIATION, INC.
dba KMFA-CLASSICAL 89.5 AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases:

The Company determines if a contract is a lease at inception. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lease term begins on the commencement date, which is the date the Company takes possession of the asset and may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Leases are classified as operating or finance leases based on factors such as the lease term, lease payments, and the economic life, fair value and estimated residual value of the asset. The Company's leases have remaining lease terms ranging from less than five years.

Under Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 842, the Company recognizes a right-of-use ("ROU") asset and lease liability to account for its leases. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized on the commencement date based on the present value of lease payments over the lease term. ROU assets are based on the lease liability and are increased by prepaid lease payments and decreased by any lease incentives received.

The Company's office space and store front leases contain rent escalations over the lease term. The Company recognizes expense for these leases on a straight-line basis over the lease term. Certain leases require the Company to pay taxes, insurance, maintenance, and other operating expenses associated with the leased asset. Such amounts are not included in the measurement of the ROU assets and lease liabilities to the extent they are variable in nature. These variable lease costs are recognized as a variable lease expense when incurred.

Functional allocation of expenses:

The costs of providing program and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on equitable basis. The allocation methods and expenses that are allocated include the following:

Time and effort: salaries, taxes and benefits

Square footage: rent, depreciation on Hatchery building, interest expense, and repairs and maintenance included in office expense in the accompanying consolidated statements of functional expenses

Advertising:

The Company expenses advertising costs as incurred. Advertising expense totaled \$15,484 and \$1,677 for the years ended December 31, 2022 and 2021, respectively.

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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Underwriting expenses:

The Company has adopted the Nonmonetary Transactions Subtopic of the FASB Entertainment-Broadcasters Topic. This topic specifies that any barter transactions by broadcasters exchanging underwriting time for the receipt of goods and services shall be reported at the estimated fair market value of the goods or service received. Barter revenue will be reported when on-air spots are broadcast, while an expense will be recorded when goods and services are received or used. If the goods and services are received prior to the broadcast of the commercial, a liability shall be reported. Likewise, if the on-air spot is broadcast first, a receivable shall be reported.

Accordingly, the Company recorded for the years ended December 31, 2022 and 2021 on-air barter revenues of \$42,918 and \$23,642, respectively and on-air barter expenses of \$16,695 and \$17,070, respectively. Cumulative on-air barter revenues and expenses do not net to zero as of December 31, 2022 or 2021. An asset in the amounts of \$30,928 and \$24,085, respectively, is recorded in accounts receivable - trade in the consolidated statements of financial position as of December 31, 2022 and 2021. The Company expenses underwriting costs as they are incurred. Underwriting expenses, including those related to on-air bartering, for the years ended December 31, 2022 and 2021 were \$279,715 and \$275,806, respectively, and are included in development expenses on the consolidated statements of activities.

Fair value measurements:

FASB ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Adopted Accounting Standards:

On January 1, 2022, the Company adopted ASU 2016-02, Leases (ASC 842) using the modified retrospective approach. ASU 2016-02 requires lessees to recognize a lease liability and a right-of-use asset (ROU asset) for each lease with a term longer than twelve months and adds new presentation and disclosure requirements for both lessees and lessors. The recognized liability is measured at the present value of lease payments not yet paid, and the corresponding asset represents the lessee's right to use the underlying asset over the lease term and is based on the liability, subject to certain adjustments. For the statement of income and statement of cash flow purposes, the standard retains the dual model with leases classified as either operating or finance leases. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern.

The Company elected the optional transition method to apply the new lease standard as of the effective date. Under this method, the Company has not adjusted its comparative period financial statements for the effects of the new standard or made the new, expanded required disclosures for years prior to the effective date. Therefore, the consolidated statement of activities for the year ended December 31, 2022 and the consolidated statement of net position as of December 31, 2022 reflect the application of ASC 842 while the consolidated statement of activities for the year ended December 31, 2021 and the consolidated statement of net position as of December 31, 2021 were not adjusted and continue to be reported under the accounting guidance, ASC 840, *Leases* (ASC 840), in effect for the prior year. There was no impact on the balance sheet or statement of income at the date of adoption of ASC 842. The Company elected to use a risk-free rate as the discount rate for all asset classes.

The Company also adopted ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires the presentation of contributed nonfinancial assets (in-kind donations) separately from other cash contributions on the statement of activities and additional disclosures. The accounting standards requirements in ASU 2020-07 were applied on a retrospective basis on the accompanying consolidated statements of activities for the years ended December 31, 2022, and 2021.

Debt issuance costs:

The Company is subject to the provisions of the Interest - Imputation of Interest topic of FASB ASC 835-30 which requires unamortized debt issuance costs to be presented as a reduction of the outstanding debt and the amortization of the debt issuance costs to be presented as a component of interest expense (see Note 7). GAAP requires that the effective yield method be used to amortize debt issuance costs; however, the effect of using straight-line method is not material to the financial statements for the years ended December 31, 2022 and 2021.

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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income taxes:

The Company is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. The Company has also been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). There was no unrelated business income for the years ended December 31, 2022 and 2021.

FASB ASC Section 740 requires extensive disclosures about uncertain tax positions. The requirements of this standard are applicable to nonprofit organizations. The Company evaluates any uncertain tax positions using the provisions of FASB ASC 450. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the consolidated financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management's judgment with respect to the likely outcome of each uncertain tax position.

The Company does not believe that it has engaged in any situation that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist and therefore, no loss contingency is recognized in the accompanying consolidated financial statements. The Company's policy is to record any income tax related penalties and interest incurred as general and administrative expenses. There were no income tax related penalties or interest for the years ended December 31, 2022 and 2021.

NOTE 2 – PROMISES TO GIVE

Unconditional promises to give:

Unconditional promises to give appear as accounts receivable – pledges in the consolidated statements of financial position and are estimated to be collected as follows at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 156,819	\$ 401,157
In two to five years	<u>153,880</u>	<u>250,336</u>
Total unconditional promises to give	\$ <u>310,699</u>	\$ <u>651,493</u>

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NOTE 2 – PROMISES TO GIVE - CONTINUED

Unconditional promises to give - Continued:

CPB:

The Company's CPB community service grant contracts for FY2023 and FY2022 state that the offers are contingent upon CPB receiving its full appropriation of federal funding and are subject to decrease and, if applicable, may require the Company to return payments made in excess of the decreased amount(s). The total amounts of the FY2023 and FY2022 grants are \$195,755 and \$252,996, respectively. CPB approved the first payment on these grants in the amounts of \$137,208 in November 2022 for FY2023 grant and \$177,097 in November 2021 for FY2022 grant.

The Company considers the remaining \$58,727 and \$75,899 the FY2023 and FY2022 grants, respectively, as conditional promises to give as receipt depends on the occurrence of a specified future and uncertain event to bind the promisor. As of December 31, 2022, only \$102,771 of the first payment of \$137,208 is included in net assets with donor restrictions as the remaining \$34,257 had been released from restriction for activities conducted in October through December 2022 (See Note 6). As of December 31, 2021, only \$132,823 of the first payment of \$177,097 is included in net assets with donor restrictions as the remaining \$44,274 had been released from restriction for activities conducted in October through December 2021 (See Note 6).

NOTE 3 – INVESTMENTS AND RESTRICTED CASH

The Company measures all investments at fair value on a recurring basis. Fair values for Level 1 investments are based on quoted market prices at the date of the consolidated statements of financial position. Fair values for Level 2 investments are other than quoted prices in active markets at the date of the consolidated statements of financial position.

There were no unrestricted investments as of December 31, 2022 and 2021. Restricted investments and cash are held in the KMFA Permanent Endowment Fund (Note 5). Restricted cash and money market funds totaled \$33,669 and \$27,766 for the years ended December 31, 2022 and 2021, respectively.

	2022		
	Fair Value Measurements Using Input Type		
	Level 1	Level 2	Total
U.S. Treasury, corporate and municipal bonds	\$ 388,379	\$ -	\$ 388,379
Equity securities	923,532	-	923,532
Real estate investment trusts	-	24,344	24,344
Total	\$ <u>1,311,911</u>	\$ <u>24,344</u>	\$ <u>1,336,255</u>

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NOTE 3 – INVESTMENTS AND RESTRICTED CASH - CONTINUED

	2021		
	Fair Value Measurements Using Input Type		
	Level 1	Level 2	Total
U.S. Treasury, corporate and municipal bonds	\$ 490,563	\$ -	\$ 490,563
Equity securities	971,169	-	971,169
Exchange traded funds	88,840	-	88,840
Real estate investment trusts	-	21,296	21,296
Total	\$ <u>1,550,572</u>	\$ <u>21,296</u>	\$ <u>1,571,868</u>

NOTE 4 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31, 2022 and 2021:

	Useful Life	2022	2021
Hatchery land and land improvements	N/A	\$ 2,250,434	\$ 2,250,434
Hatchery building	40 years	6,344,019	6,334,072
Transmitter equipment	10 years	541,598	437,943
Computer equipment	3-5 years	344,571	344,571
Studio equipment	5-15 years	479,113	462,215
Radiating equipment	20 years	101,835	101,835
Other technical equipment	5-10 years	136,377	128,885
Furniture and fixtures	5-7 years	535,325	443,729
Leasehold improvements	5-10 years	62,140	62,140
Transmitter building	20 years	1,983	1,983
Art	5-30 years	70,097	68,573
Construction in progress	N/A	12,738	-
Total		10,880,230	10,636,380
Less: Accumulated depreciation		<u>(1,896,359)</u>	<u>(1,617,372)</u>
Property and equipment, net		\$ <u>8,983,871</u>	\$ <u>9,019,008</u>

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NOTE 5 – ENDOWMENT FUND

On June 11, 1985, the Company established the KMFA Permanent Endowment Fund (PEF), a trust established for the sole purpose of creating and maintaining a perpetual endowment fund for all net assets with donor restrictions of a perpetual nature. KMFA is the sole beneficiary of the trust and the corpus of the trust cannot be used by the Company for any reason. The corpus of the trust is increased by contributions and by the change in the value of its assets and will be invested in such properties, assets and securities as its Trustees shall determine with the purpose of maintaining the principal of the fund in accordance with reasonable prudent investment standards and in producing a reasonable rate of return on such assets per its investment policy. The PEF Trustees are elected by and from the Board of Trustees of the Company. An investment policy was adopted to provide guidance for the Trustees to manage the endowment funds in a manner consistent with Texas Uniform Prudent Management of Institutional Funds Act of 2007. The PEF Trustees are to consider both the long-term and short-term needs of the Company in carrying out its purpose, its present and anticipated financial requirements, the expected return on its investments, price level trends and general economic conditions.

Criteria established for this purpose include but are not limited to (1) Achievement of overall investment returns in excess of increases in Consumer Price Index viewed over seven-year time periods, (2) Diversity among high quality financial assets with normally, no more than five percent (5%) of portfolio assets with any one issuer with the exception of U.S. Government securities or money market funds, (3) Fixed income securities are expected to average at least an "AA" credit rating and equities will meet the PEF's high quality selection criteria focused on sustainable growth, strong cash flows, manageable leverage and historical record, and (4) PEF trustees will annually distribute up to six percent (6%) of the value of the trust to KMFA. The Trustees strive to maintain an average annual distribution rate of four percent (4%) in making the determination of the annual income distribution taking into consideration the amounts already distributed, the needs of KMFA and market condition. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed by the PEF Trustees so as to not expose the PEF to unacceptable levels of risk.

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NOTE 5 – ENDOWMENT FUND - CONTINUED

Changes in the endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 1,599,634	\$ 1,399,254
Contributions	28,491	28,552
Investment returns and fees:		
Interest and dividends	34,186	33,907
Net realized and unrealized investment losses	(235,621)	209,780
Investment fees	(1,188)	(17,764)
Annual distribution of net investment income	<u>(55,578)</u>	<u>(54,095)</u>
Endowment net assets, end of year	\$ <u>1,369,924</u>	\$ <u>1,599,634</u>

Endowment net assets are comprised of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and money market funds	\$ 33,669	\$ 27,766
U.S. Treasury and municipal bonds	388,379	490,563
Equity securities	923,532	971,169
Exchange traded funds	-	88,840
Real estate investment trusts	<u>24,344</u>	<u>21,296</u>
Total	\$ <u>1,369,924</u>	\$ <u>1,599,634</u>

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NOTE 6 – REFUNDABLE ADVANCES - PAYCHECK PROTECTION PROGRAM

On April 20, 2020, the Company was granted a \$237,200 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan was uncollateralized and fully guaranteed by the Federal government. The Company was eligible for loan forgiveness of up to 100% of the PPP loan, upon meeting certain requirements. The Company recorded the PPP loan as a refundable advance of \$237,200 in the consolidated statements of financial position as of December 31, 2020. The Company used all proceeds for qualifying expenses as described in the CARES Act. The Company recorded the forgiveness in accordance with guidance for conditional contributions when there was no longer a measurable performance or other barrier and a right to return of the PPP loan due to legal forgiveness of the full amount of the \$237,200 PPP loan which occurred in January 2021.

On February 1, 2021, the Company was granted a second PPP loan in the amount of \$237,000 which was initially recorded as a refundable advance. The second PPP loan was uncollateralized and fully guaranteed by the Federal government. The Company was eligible for loan forgiveness of up to 100% of the PPP loan, upon meeting certain requirements. The Company used all proceeds for qualifying expenses as described in the CARES Act. The Company recorded the forgiveness when there was no longer a measurable performance or other barrier and a right to return of the second PPP loan due to legal forgiveness of the full amount of the \$237,000 PPP loan which occurred in December 2021.

Contributions totaling \$474,200 related to the legal forgiveness of both PPP loans are recorded in the accompanying statement of activities for the year ended December 31, 2021.

NOTE 7 – NOTE PAYABLE - BANK

On June 18, 2020, the Company entered into a \$3,000,000 real estate lien note agreement (revolving credit line) with Prosperity Bank with a final maturity date of December 18, 2021. Annual interest rate on unpaid principal will be the lesser of U.S. Prime Rate plus one percent (1.00%) per year or eighteen percent (18%) per year, provided that the annual interest rate shall never be less than three and a quarter percent (3.25%) per year. Interest only is payable in monthly installments as it accrues, on or before the 18th of each month beginning July 18, 2020 and continuing thereafter until December 18, 2021, at that time the entire amount of principal and interest remaining unpaid will be payable. This note is secured by a certain deed of trust by an assignment of leases from the Company in favor of Prosperity Bank and by a limited guaranty from one member of the Company's Board of Directors, an unrelated individual and a nonprofit foundation founded by a member of the Company's Board of Directors.

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NOTE 7 – NOTE PAYABLE – BANK - CONTINUED

The note balance as of December 31, 2022 and 2021 totals \$-0- and \$300,000, respectively. The interest rate on this note at December 31, 2021 was 3.25%. During the year ended December 31, 2021, management of the Company was able to obtain a verbal extension of the maturity date to early 2022 with no other changes to the terms of the note. The \$300,000 note balance was paid off on February 16, 2022 and this note was not renewed.

The Company incurred debt issuance costs totaling \$36,100 associated with note which were amortized over the eighteen months note term using the straight-line method. Amortization of debt issuance costs for the year ended December 31, 2021, totaled \$23,064. This amount is included in interest expense on the accompanying consolidated statements of functional expenses for the year ended December 31, 2021.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purposes:		
CPB community service grants	\$ 102,771	\$ 132,823
Capital campaign - Hatchery building	<u>237,510</u>	<u>349,181</u>
Total net assets with donor purpose restrictions	<u>340,281</u>	<u>482,004</u>
Net assets restricted in perpetuity:		
Endowment - subject to spending policy (Note 5)	1,369,924	1,599,634
Capital campaign - endowment	<u>41,000</u>	<u>36,000</u>
Total net assets restricted in perpetuity	<u>1,410,924</u>	<u>1,635,634</u>
Total net assets with donor restrictions	\$ <u><u>1,751,205</u></u>	\$ <u><u>2,117,638</u></u>

NOTE 9 – EMPLOYEE BENEFIT PLAN

The Company has a defined contribution salary deferral plan in accordance with Internal Revenue Code Section 403(b). The plan covers substantially all employees meeting the length of service requirement. Under the plan, the Company matches participant deferrals up to five percent (5%) of their salary. Plan contributions incurred by the Company for the years ended December 31, 2022 and 2021 are \$37,389 and \$35,465, respectively.

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NOTE 10 – CONCENTRATION OF CREDIT RISK - CONTINUED

The Company maintains cash balances at financial institutions which are insured by the Federal Deposit Insurance Corporation up to \$250,000. Although the balances in these accounts can exceed the insured limit from time to time, the Company has not incurred losses related to the deposits and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

The Company has significant investments in money market funds, mutual funds, stocks and bonds and is therefore subject to risk. Investments are made by investment managers engaged by the Company and are monitored by the KMFA Board Trustees and PEF Trustees. Though the market value of the investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Company.

NOTE 11 – AVAILABILITY AND LIQUIDITY

The following represents the Company's financial assets at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,205,041	\$ 1,648,943
Accounts receivable:		
Trade	78,998	54,795
Pledges	156,819	401,157
Restricted cash and cash equivalents - PEF	33,669	27,766
Restricted investments - PEF	<u>1,336,255</u>	<u>1,571,868</u>
Total financial assets	2,810,782	3,704,529
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(1,751,205)	(2,117,638)
Add back:		
Net assets released per endowment distribution policy	83,367	55,578
Net assets with purpose restrictions by donor estimated to be met in less than one year	<u>302,771</u>	<u>257,823</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>1,445,715</u>	\$ <u>1,900,292</u>

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NOTE 11 – AVAILABILITY AND LIQUIDITY - CONTINUED

The Company manages its liquidity by developing and adopting an annual operating budget that provides sufficient funds for general expenditures to meet its liabilities and other obligations as they become due. The Company also maintains an annual cash flow projection to monitor its liquidity and fundraising efforts.

NOTE 12 – OPERATING LEASES

In December 2001, the Company entered into a master antenna lease agreement to commence in August 2002. The terms of the lease agreement are monthly lease payments of \$4,000 over a 15-year term with an annual four percent (4%) rate increase. Two additional five-year renewals are allowed for in this agreement and were taken during the years ended December 31, 2017 and 2022. The Company used a discount rate of 1.26% on this operating lease for purposes of calculating the initial amount of the right of use asset – tower lease and operating lease liability at January 1, 2022. Future minimum lease payments under its noncancelable lease as of December 31, 2022 is as follows:

<u>December 31,</u>	
2023	101,074
2024	106,656
2025	112,482
2026	118,560
2027	<u>71,471</u>
Total minimum future rental payments	\$ <u><u>510,243</u></u>

Rent expense under these operating leases for the years ended December 31, 2022 and 2021 was \$104,431 and \$101,947, respectively.

NOTE 13 – IN-KIND DONATIONS

For the years ended December 31, 2022 and 2021, in-kind donations without donor restrictions recognized within the consolidated statements of activities included:

	<u>2022</u>	<u>2021</u>
Vehicles	\$ 119,625	\$ 119,261
Equity securities	19,502	11,347
Property and equipment	<u>-</u>	<u>10,521</u>
Total in-kind donations	<u><u>139,127</u></u>	<u><u>141,129</u></u>

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NOTE 13 – IN-KIND DONATIONS - CONTINUED

The Company contracts with a third-party auction service which receives and sells all vehicles donated to the Company. The vehicle donations are valued at the actual cash proceeds net of third-party auction service fees.

It is the Company's policy to sell all donated investments to include equity securities within five business days of receipt. Any fees related to the transaction are netted against the sales proceeds to arrive at fair value for the donated investments.

The contributed property and equipment received during the year ended December 31, 2021, consists of certain furniture which is used within the administrative offices of the Company and is reported at estimated fair value based on sales prices of similar items in the local area.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent to the end of the year ended December 31, 2022, the Company entered into a \$500,000 real estate lien note (revolving line of credit) agreement with a financial institution. The annual interest rate on any unpaid principal is the lesser of U.S. Prime Rate plus one-half percent (0.50%) or eighteen percent (18.00%) but never less than six and one-half percent (6.50%). Interest only is payable in monthly installments as it accrues, beginning August 2023 and continuing regularly until maturity in July 2024. The note is secured by a deed of trust encumbering the Company's Hatchery building.

Management has evaluated subsequent events through August 14, 2023, the date on which the consolidated financial statements were available to be issued.