

**VSS Catholic Communications, Inc.
d/b/a Spirit Catholic Radio**

**Financial Statements
December 31, 2020 and 2019**

Together with Independent Accountant's Review Report

VSS Catholic Communications, Inc.
d/b/a Spirit Catholic Radio

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Independent Accountant's Review Report

To the Board of Directors of
VSS Catholic Communications, Inc.
d/b/a Spirit Catholic Radio
Omaha, Nebraska:

We have reviewed the accompanying financial statements of VSS Catholic Communications, Inc. d/b/a Spirit Catholic Radio (the Organization), which comprise the statements of financial position – modified cash basis as of December 31, 2020 and 2019, the related statements of activities – modified cash basis and functional expenses – modified cash basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

SEIM JOHNSON, LLP

Omaha, Nebraska,
April 26, 2021.

**VSS Catholic Communications, Inc.
d/b/a Spirit Catholic Radio**

**Statements of Financial Position – Modified Cash Basis
December 31, 2020 and 2019
See Independent Accountant’s Review Report**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 939,961	631,912
Certificate of deposit	211,605	206,784
Property and equipment, net	662,092	705,151
Intangible assets	<u>4,697,500</u>	<u>4,667,500</u>
Total assets	<u>\$ 6,511,158</u>	<u>6,211,347</u>
Commitments		
NET ASSETS		
Without donor restrictions	\$ 6,475,158	6,211,347
With donor restrictions	<u>36,000</u>	<u>--</u>
Total net assets	<u>\$ 6,511,158</u>	<u>6,211,347</u>

See notes to financial statements

**VSS Catholic Communications, Inc.
d/b/a Spirit Catholic Radio**

**Statement of Activities – Modified Cash Basis
For the Year Ended December 31, 2020
See Independent Accountant’s Review Report**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Percent of Total Revenues</u>
SUPPORT AND REVENUES:				
Contributions	\$ 1,862,194	36,000	1,898,194	82.6 %
Underwriting revenue	391,771	--	391,771	17.1
Other revenue	6,712	--	6,712	0.3
	<u>2,260,677</u>	<u>36,000</u>	<u>2,296,677</u>	<u>100.0</u>
EXPENSES:				
Program	1,381,495	--	1,381,495	60.2
General and administrative	252,951	--	252,951	11.0
Fundraising	362,420	--	362,420	15.8
	<u>1,996,866</u>	<u>--</u>	<u>1,996,866</u>	<u>87.0</u>
CHANGE IN NET ASSETS	263,811	36,000	299,811	<u>13.0</u>
NET ASSETS, beginning of year	<u>6,211,347</u>	<u>--</u>	<u>6,211,347</u>	
NET ASSETS, end of year	<u>\$ 6,475,158</u>	<u>36,000</u>	<u>6,511,158</u>	

See notes to financial statements

**VSS Catholic Communications, Inc.
d/b/a Spirit Catholic Radio**

**Statement of Activities – Modified Cash Basis
For the Year Ended December 31, 2019
See Independent Accountant’s Review Report**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Percent of Total Revenues</u>
SUPPORT AND REVENUES:				
Contributions	\$ 1,775,296	--	1,775,296	80.5 %
Underwriting revenue	391,702	--	391,702	17.8
Other revenue	37,868	--	37,868	1.7
Total support and revenues	<u>2,204,866</u>	<u>--</u>	<u>2,204,866</u>	<u>100.0</u>
EXPENSES:				
Program	1,377,720	--	1,377,720	62.5
General and administrative	233,907	--	233,907	10.6
Fundraising	383,275	--	383,275	17.4
Total expenses	<u>1,994,902</u>	<u>--</u>	<u>1,994,902</u>	<u>90.5</u>
CHANGE IN NET ASSETS	209,964	--	209,964	<u>9.5</u>
NET ASSETS, beginning of year	<u>6,001,383</u>	<u>--</u>	<u>6,001,383</u>	
NET ASSETS, end of year	<u>\$ 6,211,347</u>	<u>--</u>	<u>6,211,347</u>	

See notes to financial statements

**VSS Catholic Communications, Inc.
d/b/a Spirit Catholic Radio**

**Statement of Functional Expenses – Modified Cash Basis
For the Year Ended December 31, 2020
See Independent Accountant’s Review Report**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Percent of Total Expenses</u>
Salaries and wages	\$ 668,985	148,181	208,954	1,026,120	51.4 %
Employee benefits	177,570	33,890	52,058	263,518	13.2
Rent	153,221	2,644	2,644	158,509	7.9
Office expense	78,020	9,832	8,935	96,787	4.8
Payroll taxes	47,683	10,562	14,893	73,138	3.7
Development	--	--	60,566	60,566	3.0
Utilities	55,353	1,331	1,331	58,015	2.9
Insurance	48,919	2,718	2,718	54,355	2.7
Depreciation	38,447	4,806	4,806	48,059	2.4
Professional and bank fees	13,736	30,636	--	44,372	2.2
Education services	33,410	--	--	33,410	1.7
Equipment under capitalization	23,285	--	--	23,285	1.2
Production	20,854	--	--	20,854	1.0
Printing and postage	--	7,879	5,063	12,942	0.7
Repairs and maintenance	8,265	452	452	9,169	0.5
Travel	6,513	--	--	6,513	0.3
Other	5,853	20	--	5,873	0.3
Conferences, speakers, dinners	1,381	--	--	1,381	0.1
	<u>1,381,495</u>	<u>252,951</u>	<u>362,420</u>	<u>1,996,866</u>	<u>100.0 %</u>
Total expenses	\$ <u>1,381,495</u>	<u>252,951</u>	<u>362,420</u>	<u>1,996,866</u>	<u>100.0 %</u>

See notes to financial statements

**VSS Catholic Communications, Inc.
d/b/a Spirit Catholic Radio**

**Statement of Functional Expenses – Modified Cash Basis
For the Year Ended December 31, 2019
See Independent Accountant’s Review Report**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Percent of Total Expenses</u>
Salaries and wages	\$ 663,206	141,155	203,273	1,007,634	50.6 %
Employee benefits	135,929	25,242	39,391	200,562	10.1
Rent	140,961	2,892	2,892	146,745	7.4
Office expense	78,801	9,734	8,912	97,447	4.9
Payroll taxes	49,306	10,494	15,112	74,912	3.8
Development	--	--	100,672	100,672	5.0
Utilities	61,844	1,390	1,390	64,624	3.2
Insurance	32,557	1,809	1,809	36,175	1.8
Depreciation	35,242	4,405	4,405	44,052	2.2
Professional and bank fees	15,395	28,536	--	43,931	2.2
Education services	49,170	--	--	49,170	2.5
Equipment under capitalization	22,126	--	--	22,126	1.1
Production	14,448	--	--	14,448	0.7
Printing and postage	--	7,766	4,990	12,756	0.6
Repairs and maintenance	8,050	429	429	8,908	0.4
Travel	24,235	--	--	24,235	1.2
Other	6,765	55	--	6,820	0.3
Conferences, speakers, dinners	39,685	--	--	39,685	2.0
	<u>39,685</u>	<u>--</u>	<u>--</u>	<u>39,685</u>	<u>2.0</u>
 Total expenses	 \$ <u>1,377,720</u>	 <u>233,907</u>	 <u>383,275</u>	 <u>1,994,902</u>	 <u>100.0 %</u>

See notes to financial statements

**VSS Catholic Communications, Inc.
d/b/a Spirit Catholic Radio**

**Notes to Financial Statements
December 31, 2020 and 2019
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(1) Organization

VSS Catholic Communications, Inc. d/b/a Spirit Catholic Radio (the Organization) is incorporated in the State of Nebraska as a not-for-profit organization. The purpose is to broadly employ broadcast media to transmit the Gospel of Jesus Christ with the fullness of the living Tradition as preserved, revered, and proclaimed by the Catholic Church for more than 2,000 years.

(2) Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of the Organization.

A. Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The modified cash basis differs from GAAP in that revenue is recognized when received instead of when the unconditional promise to give is provided and payments to vendors and employees are recognized when paid instead of when goods or services are received. The cash method has been modified to recognize:

- Certificates of deposit at cost plus accrued interest
- Capitalization, depreciation, and impairment of long-lived assets
- Capitalization and impairment of indefinite-lived assets

Accordingly, the financial statements are not intended to present the financial position and changes in net assets in conformity with GAAP.

B. Basis of Presentation

The Organization maintains the following classes of net assets:

Without Donor Restrictions - Represents net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions - Represents net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time or that will be maintained permanently by the Organization. As of December 31, 2020 and 2019, there was \$36,000 and \$0, respectively, in net assets with donor restrictions. The restricted funds are for projects that will be completed by the Organization in 2021.

C. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires the use of estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

D. Certificate of Deposit

Certificate of deposit is recorded at cost plus accrued interest.

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E. Property and Equipment, Net

Property and equipment are recorded at cost. The Organization maintains a capitalization policy of \$15,000. Depreciation of property and equipment is computed using the straight-line method. Depreciable lives of property and equipment are as follows:

Buildings and improvements	5 – 39 years
Equipment	5 years
Vehicles	3 – 5 years

When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any resulting gain or loss on disposition is reflected in the statements of activities – modified cash basis. Repairs and maintenance are expensed as incurred; expenditures for additions, improvements and replacements are capitalized.

Gifts of cash that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the acquired long-lived assets are placed into service.

F. Intangible Assets

Intangible assets consists of ownership of seven radio frequencies. The Organization is granted a license to broadcast over the frequency through the Federal Communications Commission (FCC). While licenses are issued for only a fixed time, such licenses are subject to renewal by the FCC. Renewals of licenses have occurred routinely and at nominal cost. As a result, the Organization treats the radio frequencies as indefinite-lived intangible assets.

Identifiable intangible assets with indefinite lives are not amortized and are assessed for impairment of value annually or whenever events or changes in circumstances indicate the carrying amount of the asset may be impaired. During this assessment, management relies on a number of factors, including operating results, business plans, and historical trends. If impaired, the asset's carrying amount is reduced to its fair market value. Management did not record any impairment during the years ended December 31, 2020 and 2019.

G. Donor Restricted Contributions

Gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions.

H. Functional Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the financial statements. Certain costs, including salaries and benefits and occupancy, have been allocated among the programs and supporting services benefited using estimates of employee time spent on respective functions or estimated building square footage.

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I. Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2020 and 2019 were \$15,310 and \$23,157, respectively, and are included in education services on the statements of functional expenses.

J. Income Taxes

The Organization qualifies as a tax-exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

K. Concentrations of Credit Risk

The Organization periodically maintains deposits in excess of Federal Deposit Insurance Corporation insurance limits. Management believes the risk relating to these excess deposits is minimal.

L. Reclassification

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 reporting format.

M. Subsequent Events

The Organization evaluated the effects of all subsequent events through April 26, 2021, the date these financial statements were available to be issued.

(3) Liquidity and Availability of Resources

As of December 31, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2020</u>	<u>2019</u>
Financial assets available within one year:		
Cash	\$ 939,961	631,912
Certificate of deposit, maturing within one year	<u>211,605</u>	<u>206,784</u>
Total financial assets available within one year	<u>1,151,566</u>	<u>838,696</u>
Liquidity resources available within one year:		
Line of credit	<u>100,100</u>	<u>100,100</u>
Total liquidity resources available within one year	<u>100,100</u>	<u>100,100</u>
Less financial assets unavailable for general expenditures within one year:		
Donor restricted amounts for specific purpose	<u>(36,000)</u>	<u>--</u>
Total financial assets and liquidity resources available within one year for general expenditures \$	<u>1,215,666</u>	<u>938,796</u>

The Organization's cash flows have seasonal variations based on when they run their membership drives (spring and fall) when there is a higher concentration of gifts, as well as year-end donations. To manage liquidity, the Organization maintains a line of credit of \$100,100, which has not been used for several years. At December 31, 2020, the Organization had restricted net assets of \$36,000 for contributions designated for projects to be completed in 2021.

**VSS Catholic Communications, Inc.
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(4) Property and Equipment, Net

Property and equipment at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 112,000	112,000
Buildings and improvements	1,034,487	1,034,487
Equipment	628,341	623,341
Vehicles	49,118	49,118
	<u>1,823,946</u>	<u>1,818,946</u>
Less accumulated depreciation	<u>(1,161,854)</u>	<u>(1,113,795)</u>
	<u>\$ 662,092</u>	<u>705,151</u>

(5) Line of Credit

The Organization has an unsecured revolving line of credit providing for maximum borrowings of \$100,100. The line of credit matures December 31, 2049 and bears interest at 4.50%. As of December 31, 2020 and 2019, there were no amounts drawn on the line.

(6) Leases

The Organization has various operating leases for office space and radio towers, which expire through 2024. In addition to rent, the Organization also pays monthly costs for common area maintenance. Rent and common area maintenance expense for the years ended December 31, 2020 and 2019 was \$158,509 and \$146,745, respectively. Future minimum lease payments for the years ending after December 31, 2020 are as follows:

2021	\$	75,355
2022		42,801
2023		23,369
2024		20,586

(7) Retirement Plan

The Organization has a 401(k) defined contribution plan that covers all employees. Employees are eligible to make salary deferral contributions once they reach the age of 18. The Organization may make annual discretionary profit sharing and/or matching contributions for all eligible employees who meet certain criteria. Contributions made by the employer vest with the employee over a six-year schedule. Total contributions to the plan for the years ended December 31, 2020 and 2019 were \$42,043 and \$36,636, respectively.

(8) Related Party Transactions

During the years ended December 31, 2020 and 2019, the Organization received contributions of approximately \$164,000 and \$171,000 from related parties.