

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

**Financial Statements
December 31, 2022 and 2021**

Together with Independent Accountant's Review Report

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Independent Accountant's Review Report

To the Board of Directors
VSS Catholic Communications, Inc.
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 statement of assets, liabilities and net assets – modified cash basis as of December 31, 2022, and related statements of revenue, gains, and other support and expenses – modified cash basis and expenses by nature and function – modified cash basis for the year 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 company 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 the company uses 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 AICPA. 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.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

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

Basis of Accounting

We draw attention to Note 2 (A) 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.

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Prior Period Financial Statements

The 2021 financial statements of the Organization were reviewed by Seim Johnson, LLP who joined Eide Bailly LLP on July 25, 2022, and whose report dated June 1, 2022, stated that, based on their review, they were not aware of any material modifications that should be made to those financial statements in order for them to be 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.

Firm Signature

Omaha, Nebraska,

_____.

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

**Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis
December 31, 2022 and 2021
See Independent Accountant's Review Report**

| | <u>2022</u> | <u>2021</u> |
|-----------------------------|---------------------|------------------|
| ASSETS | | |
| Cash | \$ 1,372,715 | 1,117,162 |
| Certificates of deposit | 905,655 | 614,920 |
| Property and equipment, net | 905,307 | 628,407 |
| Intangible assets | <u>4,697,500</u> | <u>4,697,500</u> |
| Total assets | <u>\$ 7,881,177</u> | <u>7,057,989</u> |
| Commitments | | |
| NET ASSETS | | |
| Without donor restrictions | \$ 7,337,326 | 6,877,349 |
| With donor restrictions | <u>543,851</u> | <u>180,640</u> |
| Total net assets | <u>\$ 7,881,177</u> | <u>7,057,989</u> |

See notes to financial statements

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

Statement of Revenue, Gains, and Other Support and Expenses – Modified Cash Basis
For the Year Ended December 31, 2022
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 | \$ 2,346,420 | 393,571 | 2,739,991 | 87.8 | % |
| Underwriting revenue | 372,955 | -- | 372,955 | 12.0 | |
| Other revenue | 7,168 | -- | 7,168 | 0.2 | |
| Net assets released from restrictions | 30,360 | (30,360) | -- | 0.0 | |
| | <u>2,756,903</u> | <u>363,211</u> | <u>3,120,114</u> | <u>100.0</u> | |
| Total support and revenues | | | | | |
| EXPENSES: | | | | | |
| Program | 1,601,664 | -- | 1,601,664 | 51.3 | |
| General and administrative | 276,019 | -- | 276,019 | 8.8 | |
| Fundraising | 419,243 | -- | 419,243 | 13.4 | |
| | <u>2,296,926</u> | <u>--</u> | <u>2,296,926</u> | <u>73.6</u> | |
| Total expenses | | | | | |
| CHANGE IN NET ASSETS | 459,977 | 363,211 | 823,188 | 26.4 | |
| NET ASSETS, beginning of year | <u>6,877,349</u> | <u>180,640</u> | <u>7,057,989</u> | | |
| NET ASSETS, end of year | <u>\$ 7,337,326</u> | <u>543,851</u> | <u>7,881,177</u> | | |

See notes to financial statements

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

Statement of Revenue, Gains, and Other Support and Expenses – Modified Cash Basis
For the Year Ended December 31, 2021
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 | \$ 1,921,431 | 155,640 | 2,077,071 | 85.6 | % |
| Underwriting revenue | 333,523 | -- | 333,523 | 13.7 | |
| Other revenue | 17,370 | -- | 17,370 | 0.7 | |
| Net assets released from restrictions | <u>11,000</u> | <u>(11,000)</u> | <u>--</u> | <u>0.0</u> | |
| Total support and revenues | <u>2,283,324</u> | <u>144,640</u> | <u>2,427,964</u> | <u>100.0</u> | |
| EXPENSES: | | | | | |
| Program | 1,310,545 | -- | 1,310,545 | 54.0 | |
| General and administrative | 258,705 | -- | 258,705 | 10.7 | |
| Fundraising | <u>311,883</u> | <u>--</u> | <u>311,883</u> | <u>12.8</u> | |
| Total expenses | <u>1,881,133</u> | <u>--</u> | <u>1,881,133</u> | <u>77.5</u> | |
| CHANGE IN NET ASSETS | 402,191 | 144,640 | 546,831 | <u>22.5</u> | |
| NET ASSETS, beginning of year | <u>6,475,158</u> | <u>36,000</u> | <u>6,511,158</u> | | |
| NET ASSETS, end of year | <u>\$ 6,877,349</u> | <u>180,640</u> | <u>7,057,989</u> | | |

See notes to financial statements

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

Statement of Expenses by Nature and Function – Modified Cash Basis
For the Year Ended December 31, 2022
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 | \$ 742,528 | 155,540 | 226,775 | 1,124,843 | 49.0 % |
| Employee benefits | 196,979 | 36,761 | 57,277 | 291,017 | 12.6 |
| Rent | 150,270 | 1,951 | 1,951 | 154,172 | 6.7 |
| Office expense | 118,188 | 16,496 | 12,816 | 147,500 | 6.3 |
| Equipment under capitalization | 108,578 | -- | -- | 108,578 | 4.7 |
| Development | -- | -- | 86,467 | 86,467 | 3.8 |
| Payroll taxes | 54,225 | 11,359 | 16,561 | 82,145 | 3.6 |
| Utilities | 54,255 | 1,301 | 1,301 | 56,857 | 2.5 |
| Insurance | 43,456 | 2,414 | 2,414 | 48,284 | 2.1 |
| Depreciation | 38,448 | 4,806 | 4,806 | 48,060 | 2.1 |
| Professional and bank fees | 9,105 | 31,987 | -- | 41,092 | 1.8 |
| Repairs and maintenance | 28,363 | 1,480 | 1,480 | 31,323 | 1.4 |
| Printing and postage | -- | 11,509 | 7,395 | 18,904 | 0.9 |
| Production | 17,026 | -- | -- | 17,026 | 0.7 |
| Education services | 14,591 | -- | -- | 14,591 | 0.6 |
| Conferences, speakers, dinners | 9,057 | -- | -- | 9,057 | 0.4 |
| Travel | 8,507 | -- | -- | 8,507 | 0.4 |
| Other | 8,088 | 415 | -- | 8,503 | 0.4 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total expenses | \$ <u>1,601,664</u> | <u>276,019</u> | <u>419,243</u> | <u>2,296,926</u> | <u>100.0 %</u> |

See notes to financial statements

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

Statement of Expenses by Nature and Function – Modified Cash Basis
For the Year Ended December 31, 2021
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 | \$ 663,464 | 148,848 | 204,460 | 1,016,772 | 54.1 % |
| Employee benefits | 130,789 | 24,912 | 38,014 | 193,715 | 10.2 |
| Rent | 146,661 | 1,719 | 1,719 | 150,099 | 8.0 |
| Office expense | 87,545 | 12,599 | 9,210 | 109,354 | 5.7 |
| Equipment under capitalization | 27,985 | -- | -- | 27,985 | 1.5 |
| Development | -- | -- | 30,535 | 30,535 | 1.6 |
| Payroll taxes | 47,816 | 10,728 | 14,736 | 73,280 | 3.9 |
| Utilities | 54,494 | 1,244 | 1,244 | 56,982 | 3.0 |
| Insurance | 40,494 | 2,250 | 2,250 | 44,994 | 2.4 |
| Depreciation | 26,948 | 3,369 | 3,369 | 33,686 | 1.8 |
| Professional and bank fees | 9,869 | 43,151 | -- | 53,020 | 2.8 |
| Repairs and maintenance | 9,859 | 548 | 548 | 10,955 | 0.6 |
| Printing and postage | -- | 9,023 | 5,798 | 14,821 | 0.9 |
| Production | 18,185 | -- | -- | 18,185 | 1.0 |
| Education services | 31,700 | -- | -- | 31,700 | 1.7 |
| Conferences, speakers, dinners | 1,735 | -- | -- | 1,735 | 0.1 |
| Travel | 6,881 | -- | -- | 6,881 | 0.4 |
| Other | 6,120 | 314 | -- | 6,434 | 0.3 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total expenses | \$ <u>1,310,545</u> | <u>258,705</u> | <u>311,883</u> | <u>1,881,133</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, 2022 and 2021
See Independent Accountant's Review Report**

(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, payments to vendors and employees are recognized when paid instead of when goods or services are received, and operating leases are not recognized as right of use assets or liabilities in the statements of assets, liabilities, and net assets – modified cash basis. 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.

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. Certificates of Deposit

Certificates of deposit are recorded at cost plus accrued interest.

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

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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, 2022 and 2021.

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.

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

Notes to Financial Statements
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I. Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2022 and 2021 were \$11,364 and \$14,692, respectively, and are included in education services on the statements of expenses by nature and function.

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 maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2022 and 2021, the Organization had approximately \$1,504,000 and \$1,194,000, respectively, in excess of FDIC-insured limits.

L. Subsequent Events

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

(3) Liquidity and Availability of Resources

As of December 31, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|------------------|
| Financial assets available within one year: | | |
| Cash | \$ 1,372,715 | 1,117,162 |
| Certificates of deposit, maturing within one year | <u>905,655</u> | <u>614,920</u> |
| Total financial assets available within one year | <u>2,278,370</u> | <u>1,732,082</u> |
| Liquidity resources available within one year: | | |
| Line of credit | <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>(543,851)</u> | <u>(180,640)</u> |
| Total financial assets and liquidity resources available within one year for general expenditures | <u>\$ 1,834,619</u> | <u>1,651,542</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 (see Note 5).

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

Notes to Financial Statements
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(4) Property and Equipment, Net

Property and equipment at December 31, 2022 and 2021 consisted of the following:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|--------------------|--------------------|
| Land | \$ 112,000 | 112,000 |
| Buildings and improvements | 1,034,487 | 1,034,487 |
| Equipment | 836,249 | 628,341 |
| Vehicles | 101,145 | 30,280 |
| Construction in progress | 46,187 | -- |
| | <u>2,130,068</u> | <u>1,805,108</u> |
| Less accumulated depreciation | <u>(1,224,761)</u> | <u>(1,176,701)</u> |
| | <u>\$ 905,307</u> | <u>628,407</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 8.25%. As of December 31, 2022 and 2021, there were no amounts drawn on the line.

(6) Operating Leases

The Organization has various operating leases for office space, radio towers, and vehicles, which expire through 2031. 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, 2022 and 2021 was \$154,172 and \$150,099, respectively. Future minimum lease payments for the years ending after December 31, 2022 are as follows:

| | |
|------------|------------|
| 2023 | \$ 163,256 |
| 2024 | 155,492 |
| 2025 | 132,072 |
| 2026 | 135,080 |
| 2027 | 132,891 |
| Thereafter | 469,469 |

(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, 2022 and 2021 were \$85,317 and \$36,548, respectively.

(8) Related Party Transactions

During the years ended December 31, 2022 and 2021, the Organization received contributions of approximately \$153,000 and \$129,000 from related parties, primarily board members.

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

Notes to Financial Statements
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(9) 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 specified purpose: | | |
| Signal expansion and transmitter replacement | \$ 393,571 | 25,000 |
| Chief Programming Officer employed position | 150,000 | 150,000 |
| Future operations | <u>280</u> | <u>5,640</u> |
| Total purpose restrictions | <u>\$ 543,851</u> | <u>180,640</u> |

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