

Cornerstone Television, Inc.

Financial Statements

Years Ended December 31, 2020 and 2019
with Independent Auditor's Report

MaherDuessel

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CORNERSTONE TELEVISION, INC.

YEARS ENDED DECEMBER 31, 2020 AND 2019

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Independent Auditor's Report

Board of Directors Cornerstone Television, Inc.

We have audited the accompanying financial statements of Cornerstone Television, Inc., a Pennsylvania non-profit corporation, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cornerstone as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Maher Duessel

Pittsburgh, Pennsylvania
June 11, 2021

CORNERSTONE TELEVISION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 465,987	\$ 490,734
Investments	3,819,753	3,569,333
Accounts receivable, net of allowance for doubtful accounts of \$17,990 and \$18,000, respectively	308,314	331,249
Inventory	59,951	96,499
Prepaid expenses and other current assets	<u>37,501</u>	<u>22,590</u>
Total current assets	<u>4,691,506</u>	<u>4,510,405</u>
Investments - restricted	<u>1,500,000</u>	<u>1,500,000</u>
Property, buildings, and equipment		
Tower and broadcasting equipment	6,546,397	6,508,442
Site development and land improvements	640,176	640,176
Buildings and improvements	2,800,835	2,795,334
Office furniture and equipment	538,221	538,221
Vehicles	79,468	79,468
Equipment purchase in progress	<u>-</u>	<u>59,771</u>
	10,605,097	10,621,412
Less: accumulated depreciation and amortization	<u>(6,143,840)</u>	<u>(5,916,712)</u>
	4,461,257	4,704,700
Land	<u>66,785</u>	<u>66,785</u>
Total property, buildings, and equipment	<u>4,528,042</u>	<u>4,771,485</u>
Total Assets	<u><u>\$ 10,719,548</u></u>	<u><u>\$ 10,781,890</u></u>

(Continued)

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

(Continued)

	<u>2020</u>	<u>2019</u>
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 324,455	\$ 288,572
Line of credit	-	429,032
Deferred revenue	19,622	18,612
Total current liabilities	<u>344,077</u>	<u>736,216</u>
Long-term liabilities:		
Annuities payable	12,232	12,439
Total long-term liabilities	<u>12,232</u>	<u>12,439</u>
Total Liabilities	<u>356,309</u>	<u>748,655</u>
Net Assets:		
Without donor restrictions:		
Undesignated	5,733,760	5,492,571
Investment in fixed assets, net of related debt	4,528,042	4,342,453
Total without donor restrictions	10,261,802	9,835,024
With donor restrictions	101,437	198,211
Total Net Assets	<u>10,363,239</u>	<u>10,033,235</u>
Total Liabilities and Net Assets	<u>\$ 10,719,548</u>	<u>\$ 10,781,890</u>

(Concluded)

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Contributions and bequests	\$ 2,673,613	\$ 89,853	\$ 2,763,466
Broadcasting and production	1,833,311	-	1,833,311
Other revenues	415,487	-	415,487
Total revenues and other support	4,922,411	89,853	5,012,264
Net assets released from restrictions (operating)	186,627	(186,627)	-
	5,109,038	(96,774)	5,012,264
Expenses:			
Program	3,251,850	-	3,251,850
Support services:			
Management and general	1,287,358	-	1,287,358
Fundraising	801,419	-	801,419
Total support services	2,088,777	-	2,088,777
Total expenses	5,340,627	-	5,340,627
Gain (Loss) from Operations	(231,589)	(96,774)	(328,363)
Non-Operating Activities:			
Investment income (loss)	723,317	-	723,317
Gain (loss) on sale of assets	-	-	-
Gain (loss) on disposal of obsolete assets	(28,098)	-	(28,098)
Gain (loss) on disposal of inventory	(36,852)	-	(36,852)
Total non-operating income (loss)	658,367	-	658,367
Change in Net Assets	426,778	(96,774)	330,004
Net Assets:			
Beginning of year	9,835,024	198,211	10,033,235
End of year	\$ 10,261,802	\$ 101,437	\$ 10,363,239

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Contributions and bequests	\$ 1,873,683	\$ 166,306	\$ 2,039,989
Broadcasting and production	1,715,080	-	1,715,080
Other revenues	623,392	-	623,392
Total revenues and other support	4,212,155	166,306	4,378,461
Net assets released from restrictions (operating)	22,668	(22,668)	-
	4,234,823	143,638	4,378,461
Expenses:			
Program	3,437,618	-	3,437,618
Support services:			
Management and general	984,100	-	984,100
Fundraising	823,438	-	823,438
Total support services	1,807,538	-	1,807,538
Total expenses	5,245,156	-	5,245,156
Gain (Loss) from Operations	(1,010,333)	143,638	(866,695)
Non-Operating Activities:			
Investment income (loss)	577,829	-	577,829
Gain (loss) on sale of assets	31,300	-	31,300
Gain (loss) on disposal of obsolete assets	(806,571)	-	(806,571)
Gain (loss) on disposal of inventory	-	-	-
Total non-operating income (loss)	(197,442)	-	(197,442)
Change in Net Assets	(1,207,775)	143,638	(1,064,137)
Net Assets:			
Beginning of year	11,042,799	54,573	11,097,372
End of year	\$ 9,835,024	\$ 198,211	\$ 10,033,235

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 1,408,029	\$ 572,009	\$ 267,816	\$ 2,247,854
Employee benefits	237,594	145,667	66,123	449,384
Grants and allocations	422,587	-	-	422,587
Outside services	250,236	222,158	50,597	522,991
Office expenses	138,129	35,569	98,804	272,502
Equipment rental and maintenance	142,707	27,466	20,470	190,643
Occupancy	160,738	23,738	-	184,476
Printing and publications	487	2,253	153,761	156,501
Travel	11,196	5,056	1	16,253
Depreciation	357,619	-	-	357,619
Interest and bank fees	-	32,859	-	32,859
Miscellaneous	3,794	2,299	3,236	9,329
Bad debt	-	-	-	-
Premiums and promotions	-	65,936	44,989	110,925
Insurance	3,071	65,430	-	68,501
Guests and honorariums	14,730	4,133	95,622	114,485
Exempt Organization Business Taxes	-	82,785	-	82,785
Purpose restricted disbursements	34,323	-	-	34,323
Program fees and acquisition costs	66,610	-	-	66,610
	<u>\$ 3,251,850</u>	<u>\$ 1,287,358</u>	<u>\$ 801,419</u>	<u>\$ 5,340,627</u>
Total Expenses	<u>\$ 3,251,850</u>	<u>\$ 1,287,358</u>	<u>\$ 801,419</u>	<u>\$ 5,340,627</u>

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 1,394,942	\$ 422,457	\$ 275,631	\$ 2,093,030
Employee benefits	224,334	163,106	58,925	446,365
Grants and allocations	561,784	-	-	561,784
Outside services	256,430	119,100	51,069	426,599
Office expenses	162,107	32,583	93,580	288,270
Equipment rental and maintenance	188,901	34,352	16,622	239,875
Occupancy	193,160	23,985	-	217,145
Printing and publications	36	1,782	160,360	162,178
Travel	9,538	7,297	12	16,847
Depreciation	312,012	-	-	312,012
Interest and bank fees	-	32,292	-	32,292
Miscellaneous	13,621	8,168	1,905	23,694
Bad debt	-	18,000	-	18,000
Premiums and promotions	-	12,838	50,565	63,403
Insurance	3,177	62,577	-	65,754
Guests and honorariums	34,431	15	114,769	149,215
Exempt Organization Business Taxes	-	45,548	-	45,548
Purpose restricted disbursements	17,880	-	-	17,880
Program fees and acquisition costs	65,265	-	-	65,265
	\$ 3,437,618	\$ 984,100	\$ 823,438	\$ 5,245,156
Total Expenses	\$ 3,437,618	\$ 984,100	\$ 823,438	\$ 5,245,156

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Change in net assets	\$ 330,004	\$ (1,064,137)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in allowance for doubtful accounts	(10)	18,000
Depreciation	357,619	312,012
Unrealized (gain) loss on investments	(331,778)	(292,486)
Net (gain) loss on disposition of assets	28,098	775,271
Net (gain) loss on disposal of inventory	36,548	-
Change in:		
Accounts receivable	22,945	(125,885)
Inventory	-	18,176
Prepaid expenses and other current assets	45,162	1,149,176
Accounts payable	35,883	(64,246)
Deferred revenue	1,010	(15,488)
Annuity payable	(207)	(207)
Total adjustments	195,270	1,774,323
Net cash provided by (used in) operating activities	525,274	710,186
Cash Flows From Investing Activities:		
Acquisition of fixed assets	(202,347)	(2,460,608)
Proceeds from sale of fixed assets	-	360,000
Sales of investments	443,000	375,000
Purchase of investments	(361,642)	(254,963)
Net cash provided by (used in) investing activities	(120,989)	(1,980,571)
Cash Flows From Financing Activities:		
Repayments under line of credit agreement	(429,032)	(108,873)
Proceeds from line of credit agreement	-	537,905
Net cash provided by (used in) financing activities	(429,032)	429,032
Net Increase (Decrease) in Cash and Cash Equivalents	(24,747)	(841,353)
Cash and Cash Equivalents:		
Beginning of year	490,734	1,332,087
End of year	\$ 465,987	\$ 490,734
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	\$ 7,929	\$ 4,082
Cash paid during the year for Unrelated Business Income Tax	82,785	45,548

See accompanying notes to financial statements.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

1. Organization

Cornerstone Television Inc. (Cornerstone) is a Pennsylvania not-for-profit corporation, which was organized on May 4, 1970. Cornerstone's operations consist primarily of providing and broadcasting religious and education television programming. Cornerstone also owns other broadcasting stations, which provide the same services.

The 2019 financial statements include the accounts of Cornerstone Television, Inc. and its wholly-owned subsidiary, CTVN Harrisburg, LLC up until the sale of that subsidiary entity in January 2019. All material intercompany transactions have been eliminated.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly, reflects all significant receivables, payables, and other liabilities. In accordance with Financial Accounting Standards Board (FASB) authoritative guidance, Cornerstone resources are classified for accounting and reporting purposes into classes of net assets established according to their nature and purpose. There are two types of net assets:

Net Assets Without Donor Restrictions

Used to accumulate all net assets without donor restrictions and board-designated resources from operations. It represents the portion of expendable funds that are available for support of Cornerstone's operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions include those net assets whose use is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of Cornerstone pursuant to those stipulations. There can also be net assets with a donor-imposed restriction that stipulates that resources be maintained permanently but permits an organization to use up or expend part or all of the income derived from the donated assets. Cornerstone has no net assets with donor restrictions that must be maintained in perpetuity.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions

Contributions (unconditional promises to give) are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend on have been met. Cornerstone had no conditional promises to give at December 31, 2020 and 2019.

Revenue from Contracts with Customers

Broadcasting and production revenues are considered to be revenue from contracts with customers. The contracts are held with other religious-based not-for-profit entities and for-profit, non-religious-based entities. The contracts are fee-for-service contracts under which Cornerstone provides television program airtime, spot advertisements, and production services. Services are provided over the life of the contract, which are typically one year in duration. Revenue is recognized when the performance obligation of the contract is satisfied, and the broadcast takes place or the production services are rendered to the contracting entity. Generally, Cornerstone bills customers subsequent to the performance of services.

At December 31, 2020 and 2019, receivables related to the contracts were \$308,314 and \$331,249, respectively. At December 31, 2020 and 2019, there were no payables related to the contracts.

There have been no changes in the significant judgments related to the amount and timing of revenue from contracts with customers and there are no impairment losses recognized related to these contracts.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

FCC Reimbursement

FCC reimbursements are recorded as other revenues. Cornerstone's revenue from the FCC is derived from cost-reimbursable government grants, which are conditioned upon approval by the FCC and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Cornerstone receives approval from the FCC and the reimbursement is received. The FCC reimburses Cornerstone for tower site modifications that were required under the FCC broadcast band change (see Note 11). At December 31, 2020 and 2019, Cornerstone had \$8,617 and \$228,952, respectively, in outstanding reimbursement requests to the FCC. Submitted requests are not accrued for at year-end, as it is at the FCC's discretion to award the reimbursements.

Functional Allocation of Expenses

The costs of operations of Cornerstone have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program and support services based upon management's judgment of efforts expended.

Deferred Revenue

Deferred revenue represents the prepayment on tower lease agreements by a company for the rental of tower space and on advertising agreements by various organizations. The income from the tower prepayment will be recognized over the assigned period, which is fifteen years. The income from the advertising prepayments will be recognized when the related advertisements are aired.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Cash and Cash Equivalents

Cash and cash equivalents are deposited at local banks. At December 31, 2020 and 2019, the carrying amounts of Cornerstone's deposits were \$465,987 and \$490,734, respectively, and the bank balances were \$472,624 and \$495,492, respectively. For 2020, the uninsured cash balance totaled \$195,329. For 2019, the uninsured cash balance totaled \$241,225. For purposes of the statements of cash flows, cash and cash equivalents include all highly liquid instruments with maturities of three months or less when purchased.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the amounts originally billed, less payments received, and are non-interest bearing, as they are due within one year. Accounts are classified as current or past due based on the terms of the contract or agreement under which the receivable arose. The allowance for doubtful accounts is based upon historical collections and the amount of past due receivables for accounts whose collectivity is in doubt. Past-due balances are written off once management determines collection is not possible.

Inventory

Inventory is stated at the lower of cost (determined by the first-in, first-out method of accounting) or net realizable value.

Cornerstone periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory. At December 31, 2020 and 2019, Cornerstone wrote off inventory totaling \$36,458 and \$0.

Financial Instruments

The following methods and assumptions were used by Cornerstone in estimating fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

Investments: Quoted prices in active markets for identical assets (Level 1).

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Risks and Uncertainties

Cornerstone investments in marketable securities potentially expose them to a concentration of credit risk. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Investment securities are also exposed to various other risks such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such change could materially affect the amount reported on the statements of financial position.

Fixed Assets

Fixed assets are stated at cost if purchased. Donations of fixed assets are recorded as contributions at their estimated fair value at the time of donation. Fixed asset purchases and major improvements and betterments to equipment, other than tower related purchases, that are valued at a cost of \$2,000 or more with a useful life greater than one year are capitalized. Tower and related purchases valued at a cost of \$5,000 or more with a useful life greater than one year are capitalized. Expenditures for renewals and improvements that significantly extend the useful life of the asset are capitalized. Expenditures for maintenance or repairs are expensed currently.

Depreciation is computed using the straight-line method based on the estimated useful lives of the various assets.

Income Taxes

Cornerstone is a non-profit organization and is exempt from paying income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Cornerstone's tax-exempt purpose is subject to taxation as unrelated business income. In addition, Cornerstone qualifies for the charitable deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation. CTVN Harrisburg, LLC was considered a disregarded entity for tax purposes. As such, its activity was included with Cornerstone's activity through the time of its sale in January 2019. Cornerstone files a Form 990 information return as well as a Form 990T for its unrelated business income annually.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Contributions to Charitable Organizations

Contributions to charitable organizations are determined by the Board of Directors (Board). These are reported in the financial statements as a reduction in unrestricted net assets.

During 2020 and 2019, a contribution of \$18,900 and \$15,400, respectively, was made to a charitable organization with which a Board member is affiliated. The Board was informed of the affiliation and did not consider the contribution to be a conflict of interest.

Operating Activities

For purposes of the statements of activities, Cornerstone distinguishes between operating revenue, support and expenses, and non-operating revenue, support, gains, and losses. Cornerstone treats as operating revenue and support and operating expenses all revenues and expenses that are an integral part of its program and supporting activities. All other activity is nonoperating.

Liquidity and Availability

Cornerstone manages its liquid resources by focusing on fundraising efforts to ensure the entity has adequate contributions and grants to cover the programs that are being conducted. Cornerstone prepares very detailed budgets, ensures timely billing of broadcasting and production revenues, and has been very active in monitoring costs to ensure the entity remains liquid.

As discussed in Note 5, Cornerstone maintains a line of credit to assist in meeting cash needs if they experience a lag between the receipt of contributions and the payment of costs.

The following reflects Cornerstone's financial assets (cash and cash equivalents, accounts receivable, and investments - current) as of December 31, 2020 and 2019 expected to be available within one year to meet the cash needs for general expenditures.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end	\$ 4,594,054	\$ 4,391,316
Less: those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	<u>(101,437)</u>	<u>(198,211)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,492,617</u>	<u>\$ 4,193,105</u>

Pending Accounting Standards Update

FASB has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of this update on the financial statements.

ASU 2016-02, "*Leases (Topic 842)*," is effective, as delayed, for the financial statements for the year beginning after December 15, 2021. These amendments and related amendments will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

3. Investments

Cornerstone's investments are managed by registered investment advisors and consist of various investments in marketable securities. These investments are reported at fair value. As of December 31, 2020 and 2019, investments consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 393,453	\$ 96,275
U.S. fixed income	2,821,965	2,407,864
International fixed income	108,705	437,073
U.S. equities - mutual funds	1,995,630	2,076,553
International equities - mutual funds	-	51,568
	<u>\$ 5,319,753</u>	<u>\$ 5,069,333</u>

Investment income (loss) for the years ended December 31, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 101,192	\$ 153,256
Net realized and unrealized gain (loss)	<u>622,125</u>	<u>424,573</u>
	<u>\$ 723,317</u>	<u>\$ 577,829</u>

In accordance with accounting principles generally accepted in the United States of America, all investments of Cornerstone are measured using Level 1, Level 2, and Level 3 fair value inputs. Level 1 fair value is defined as inputs based upon "measuring the value at quoted prices available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market." Level 2 is defined as inputs based upon "measuring pricing units other than at quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed." Level 3 is defined as inputs based upon "significant unobservable inputs, as they trade infrequently or not at all."

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

The fair values of investments held by Cornerstone are determined using quoted prices in active markets for identical assets and, as such, are classified at December 31, 2020 and 2019 as Level 1 assets within the fair value hierarchy.

4. Fixed Assets

Following is a summary of fixed assets and related balances at December 31, 2020:

	2019	Additions	Deletions	2020
Land	\$ 66,785	\$ -	\$ -	\$ 66,785
Tower and broadcasting equipment	6,508,442	193,600	(155,645)	6,546,397
Site development and land improvements	640,176	-	-	640,176
Building and improvements	2,795,334	8,751	(3,250)	2,800,835
Office furniture and equipment	538,221	-	-	538,221
Vehicles	79,468	-	-	79,468
Equipment purchase in progress	59,771	-	(59,771)	-
Accumulated depreciation and amortization	(5,916,712)	(357,619)	130,491	(6,143,840)
	<u>\$ 4,771,485</u>	<u>\$ (155,268)</u>	<u>\$ (88,175)</u>	<u>\$ 4,528,042</u>

Tower and broadcasting equipment purchases related to Cornerstone's FCC required broadcast band change, are further described in Note 11. Additionally, prepaid tower and broadcasting equipment of \$59,771 was placed in service during 2020. As of December 31, 2020, all prepaid equipment that has been purchased has been placed in service. Fixed asset disposals in 2020 related to the change in broadcast bands (from UHF to VHF) as required by the FCC. The disposal of the tower sites resulted in a loss of \$28,098.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

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Following is a summary of fixed assets and related balances at December 31, 2019:

	2018	Additions	Deletions	2019
Land	\$ 66,785	\$ -	\$ -	\$ 66,785
Tower and broadcasting equipment	7,934,498	2,368,109	(3,794,165)	6,508,442
Site development and land improvements	640,176	-	-	640,176
Building and improvements	2,708,262	92,499	(5,427)	2,795,334
Office furniture and equipment	569,389	-	(31,168)	538,221
Vehicles	79,468	-	-	79,468
Equipment purchase in progress	1,215,298	201,618	(1,357,145)	59,771
Accumulated depreciation and amortization	(8,300,188)	(312,012)	2,695,488	(5,916,712)
	<u>\$ 4,913,688</u>	<u>\$ 2,350,214</u>	<u>\$ (2,492,417)</u>	<u>\$ 4,771,485</u>

Tower and broadcasting equipment purchases related to Cornerstone's FCC required broadcast band change, are further described in Note 11. Additionally, prepaid tower and broadcasting equipment of \$1,357,145 was placed in service during 2019. As of December 31, 2019, the remaining prepaid equipment consists of broadcasting equipment that has been purchased but not yet received or placed in service relating to the change in Cornerstone's low broadband towers and broadcasting equipment. Fixed asset disposals in 2019 related to the change in broadcast bands (from UHF to VHF) as required by the FCC, along with Cornerstone's sale of their Harrisburg and Brookville tower sites. The sale of the tower sites resulted in a gain of \$31,300, while the obsolete asset disposals resulted in a loss of \$806,571.

5. Line of Credit

In March 2018, Cornerstone obtained a secured line of credit allowing borrowings to a maximum of \$1,000,000, with a variable interest rate. At December 31, 2020, the line of credit's interest rate was 4.75%. Under the line of credit agreement, Cornerstone was required to deposit and maintain at least \$1,500,000 in an investment account with the lender, which is to serve as collateral. During the year ended December 31, 2020, Cornerstone borrowed \$0 on the line of credit and made repayments of \$429,032. Cornerstone had an outstanding balance of \$0 and \$429,032 on the line of credit at December 31, 2020 and 2019, respectively.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

6. Annuities Payable

Annuities payable represents the liability for periodic payments due to individuals from annuity gifts received from them. The amount of the liability is calculated by an independent agent who is managing the annuities but is believed to be fairly stated by management.

7. Retirement Savings Plan

Cornerstone has a Retirement Savings Plan (Plan) for all eligible employees as defined by the Plan. The employees may contribute up to the maximum amount of their salary allowed under the law. Cornerstone each year may make a discretionary matching contribution equal to a percentage of the amount of the employee salary reduction up to 5% of the employee's compensation. The applicable percentage is determined each year by Cornerstone. The applicable percentage was 30% of the employee's contributed amount for both 2020 and 2019. For the years ended December 31, 2020 and 2019, the discretionary contribution charged to operations was approximately \$20,000 and \$18,000, respectively.

8. Lease, Other Commitments, and Confirmations

Cornerstone leases 3 postage machines for use in preparation of letters and mailings, with one operating lease expiring in November 2020. The other operating leases will expire in September 2022 and November 2025.

Cornerstone entered into an agreement for satellite uplink services in May 2015. This contract ran through June 2018, which was renewed through June 2020. During 2020, this contract was extended for an additional six-month period and will expire at the end of December 2020. The monthly payment was \$6,620 beginning in June 2019.

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NOTES TO FINANCIAL STATEMENTS

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Minimum future rental payments under terms of operating leases and commitments for the next three years are:

2021	\$ 19,139
2022	16,463
2023	7,132
2024	7,132
2025	<u>6,538</u>
	<u>\$ 56,404</u>

Rent expense under terms of the operating leases for the years ended December 31, 2020 and 2019 was \$88,370 and \$123,582, respectively.

In the ordinary course of Cornerstone's operations, there have been arbitration claims and lawsuits brought against Cornerstone. Any arbitration claims cases were settled in early 2020. In the opinion of management, the ultimate resolution of these matters will not result in material adverse effect on Cornerstone's operations and financial position.

9. Board-Designated Resources

Certain net assets without donor restrictions can be subject to Board designation for Cornerstone Cares, Cornerstone's humanitarian arm which provides food, clothing, education, healthcare, and housing for people in need. Board-designated resources at December 31, 2020 and 2019 were \$0.

10. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of contributions received by Cornerstone with donor-imposed restrictions for which the purpose has not yet been met. During fiscal years 2020 and 2019, net assets with donor restrictions totaling \$186,627 and \$22,668, respectively, were released from restrictions through the fulfillment of operating purpose restrictions. At December 31, 2020 and 2019, net assets with donor restrictions of \$101,437 and \$198,211, respectively, were restricted for other Christian ministries.

CORNERSTONE TELEVISION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

11. FCC Auction and Reimbursement

Cornerstone participated in the FCC Spectrum Auction during 2017 and, in consideration for moving its Altoona/Johnstown station WKBS from the UHF broadcast band to the VHF broadcast band, received approximately \$10.4 million. Cornerstone had two years to modify the tower to accept antennas for the new channels in order to be eligible for additional reimbursement by the FCC for costs associated with the change. The FCC is now in the process of reimbursing Cornerstone for low broadband tower modifications. Cornerstone received \$383,699 and \$575,743 in FCC reimbursements during the years ended December 2020 and 2019, respectively. Submitted requests are not accrued for at year end as it is at the FCC's discretion to award the reimbursements.

12. Paycheck Protection Program

In April 2020, Cornerstone qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (PPP Lender), for an aggregate principal amount of \$548,492 (PPP Loan). In November 2020, Cornerstone was notified by the PPP Lender that the SBA approved full forgiveness of Cornerstone's PPP Loan. As such, the full amount of the PPP Loan is recorded as contribution and bequest revenue for the year ended December 31, 2020.

13. Risks and Uncertainties

The coronavirus pandemic remains a rapidly evolving situation. The extent of the impact of the coronavirus on Cornerstone's business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which Cornerstone operates, and the related impact on its donors, customers, and employees, all of which are highly uncertain.