

**HOLY FAMILY COMMUNICATIONS
d/b/a THE STATION OF THE CROSS**

**Financial Statements
for the Years Ended
December 31, 2019 and 2018
with
Independent Auditors' Report**

**HOLY FAMILY COMMUNICATIONS
d/b/a THE STATION OF THE CROSS**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Holy Family Communications
d/b/a The Station of the Cross
Williamsville, New York

We have audited the accompanying financial statements of Holy Family Communications d/b/a The Station of the Cross (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, 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.

Auditors' 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 auditors' 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 Holy Family Communications d/b/a The Station of the Cross as of December 31, 2019 and 2018, 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.

Chiampou Travis Besaw & Kershner LLP

February 13, 2020

**HOLY FAMILY COMMUNICATIONS
d/b/a THE STATION OF THE CROSS**

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash	\$ 185,046	\$ 250,787
Prepaid expenses	1,733	-
Total current assets	<u>186,779</u>	<u>250,787</u>
PROPERTY AND EQUIPMENT, NET	925,585	925,733
INTANGIBLE ASSETS, NET	475	2,064
SECURITY DEPOSITS	2,400	2,400
STATION ACQUISITION COSTS AND LICENSES	<u>2,053,703</u>	<u>2,053,703</u>
	<u>\$ 3,168,942</u>	<u>\$ 3,234,687</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ -	\$ 4,692
Accounts payable	2,043	6,713
Accrued expenses	3,012	17,264
Total current liabilities	<u>5,055</u>	<u>28,669</u>
NET ASSETS:		
Without donor restriction	3,163,887	3,184,978
With donor restriction	-	21,040
Total net assets	<u>3,163,887</u>	<u>3,206,018</u>
	<u>\$ 3,168,942</u>	<u>\$ 3,234,687</u>

See notes to financial statements.

**HOLY FAMILY COMMUNICATIONS
d/b/a THE STATION OF THE CROSS**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>2019 Total</u>	<u>2018 Total</u>
REVENUE AND OTHER SUPPORT				
Contributions	\$ 1,451,974	\$ 2,230	\$ 1,454,204	\$ 1,475,985
In-kind contributions	35,146	-	35,146	412,534
Rental income	5,900	-	5,900	-
Investment income	-	-	-	17
Net assets released from restriction	23,270	(23,270)	-	-
	<u>1,516,290</u>	<u>(21,040)</u>	<u>1,495,250</u>	<u>1,888,536</u>
EXPENSES				
Program services	1,175,499	-	1,175,499	1,023,527
Management and general	134,877	-	134,877	129,519
Fundraising	227,005	-	227,005	211,031
	<u>1,537,381</u>	<u>-</u>	<u>1,537,381</u>	<u>1,364,077</u>
CHANGES IN NET ASSETS	(21,091)	(21,040)	(42,131)	524,459
NET ASSETS, beginning of year	<u>3,184,978</u>	<u>21,040</u>	<u>3,206,018</u>	<u>2,681,559</u>
NET ASSETS, end of year	<u>\$ 3,163,887</u>	<u>\$ -</u>	<u>\$ 3,163,887</u>	<u>\$ 3,206,018</u>

See notes to financial statements.

**HOLY FAMILY COMMUNICATIONS
d/b/a THE STATION OF THE CROSS**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>2018 Total</u>
REVENUE AND OTHER SUPPORT			
Contributions	\$ 1,454,945	\$ 21,040	\$ 1,475,985
In-kind contributions	412,534	-	412,534
Investment income	17	-	17
	<u>1,867,496</u>	<u>21,040</u>	<u>1,888,536</u>
EXPENSES			
Program services	1,023,527	-	1,023,527
Management and general	129,519	-	129,519
Fundraising	211,031	-	211,031
	<u>1,364,077</u>	<u>-</u>	<u>1,364,077</u>
CHANGES IN NET ASSETS	503,419	21,040	524,459
NET ASSETS, beginning of year	<u>2,681,559</u>	<u>-</u>	<u>2,681,559</u>
NET ASSETS, end of year	<u>\$ 3,184,978</u>	<u>\$ 21,040</u>	<u>\$ 3,206,018</u>

See notes to financial statements.

**HOLY FAMILY COMMUNICATIONS
d/b/a THE STATION OF THE CROSS**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)**

	Program Services	Supporting Services		2019 Total	2018 Total
		Management and General	Fundraising		
Compensation and related Expenses					
Salaries and wages	\$ 395,205	\$ 23,247	\$ 46,495	\$ 464,947	\$ 425,139
Payroll taxes	32,526	1,913	3,827	38,266	33,624
Health insurance	62,206	3,659	7,318	73,183	61,096
Total compensation and related expenses	489,937	28,819	57,640	576,396	519,859
Bank charges and fees	-	9,325	-	9,325	13,867
Cleaning and maintenance	15,418	5,930	2,372	23,720	22,322
Contributions	6,327	-	-	6,327	3,815
Depreciation and amortization	49,507	2,137	-	51,644	58,625
Donation processing	18,584	1,093	2,186	21,863	18,894
Dues and subscriptions	-	39	-	39	504
Engineering expense	28,555	-	-	28,555	21,346
Filing fees	15	-	-	15	500
Insurance	15,977	3,994	-	19,971	16,067
Interest expense	151	-	-	151	3,350
Licenses and permits	2,076	-	-	2,076	157
Local ministry	2,477	-	-	2,477	2,566
Membership drive	-	-	56,668	56,668	65,596
Miscellaneous	2,213	1,770	442	4,425	1,146
Newsletter	27,022	3,179	1,590	31,791	29,897
Office supplies	16,180	8,090	16,180	40,450	20,777
Payroll service	2,088	123	246	2,457	2,130
Postage	5,424	5,424	16,273	27,121	23,095
Printing	139	69	69	277	8,057
Professional fees	4,551	18,204	-	22,755	27,211
Programming expenses	59,858	-	-	59,858	14,196
Promotion	16,113	-	13,183	29,296	22,653
Rent expense	236,640	13,920	27,840	278,400	269,966
Station consulting	7,425	-	-	7,425	1,150
Studio supplies	699	-	-	699	332
Taxes	4,890	288	575	5,753	-
Telephone and internet	29,351	9,784	9,784	48,919	41,909
Travel and meals	6,156	8,208	6,156	20,520	11,707
Utilities	97,016	5,707	11,414	114,137	106,726
Web page expense	30,710	8,774	4,387	43,871	35,657
Total expenses	<u>\$ 1,175,499</u>	<u>\$ 134,877</u>	<u>\$ 227,005</u>	<u>\$ 1,537,381</u>	<u>\$ 1,364,077</u>

See notes to financial statements.

HOLY FAMILY COMMUNICATIONS
d/b/a THE STATION OF THE CROSS

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		2018 Total
		Management and General	Fundraising	
Compensation and related Expenses				
Salaries and wages	\$ 361,368	\$ 21,257	\$ 42,514	\$ 425,139
Payroll taxes	28,580	1,682	3,362	33,624
Health insurance	51,932	3,054	6,110	61,096
Total compensation and related expenses	441,880	25,993	51,986	519,859
Bank charges and fees	-	13,867	-	13,867
Cleaning and maintenance	14,509	5,581	2,232	22,322
Contributions	3,815	-	-	3,815
Depreciation and amortization	54,351	4,274	-	58,625
Donation processing	16,060	945	1,889	18,894
Dues and subscriptions	-	504	-	504
Engineering expense	21,346	-	-	21,346
Filing fees	500	-	-	500
Insurance	12,854	3,213	-	16,067
Interest expense	3,350	-	-	3,350
Licenses and permits	157	-	-	157
Local ministry	2,566	-	-	2,566
Membership drive	-	-	65,596	65,596
Miscellaneous	573	459	114	1,146
Newsletter	25,412	2,990	1,495	29,897
Office supplies	8,311	4,155	8,311	20,777
Payroll service	1,811	106	213	2,130
Postage	4,619	4,619	13,857	23,095
Printing	4,029	2,014	2,014	8,057
Professional fees	5,442	21,769	-	27,211
Programming expenses	14,196	-	-	14,196
Promotion	12,459	-	10,194	22,653
Rent expense	229,471	13,498	26,997	269,966
Station consulting	1,150	-	-	1,150
Studio supplies	332	-	-	332
Telephone and internet	25,145	8,382	8,382	41,909
Travel and meals	3,512	4,683	3,512	11,707
Utilities	90,717	5,336	10,673	106,726
Web page expense	24,960	7,131	3,566	35,657
Total expenses	\$ 1,023,527	\$ 129,519	\$ 211,031	\$ 1,364,077

See notes to financial statements.

**HOLY FAMILY COMMUNICATIONS
d/b/a THE STATION OF THE CROSS**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (42,131)	\$ 524,459
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	51,644	58,625
Real property contribution	-	(375,000)
Changes in operating assets and liabilities:		
Prepaid expenses	(1,733)	1,046
Accounts payable	(4,670)	(28,312)
Accrued expenses	(14,252)	2,660
Net cash provided by (used in) operating activities	<u>(11,142)</u>	<u>183,478</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(49,907)	(56,354)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt	<u>(4,692)</u>	<u>(6,715)</u>
NET CHANGE IN CASH	(65,741)	120,409
CASH, BEGINNING OF YEAR	<u>250,787</u>	<u>130,378</u>
CASH, END OF YEAR	<u>\$ 185,046</u>	<u>\$ 250,787</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	<u>\$ 151</u>	<u>\$ 3,350</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING TRANSACTIONS:		
Real property contribution	<u>\$ -</u>	<u>\$ 375,000</u>

See notes to financial statements.

**HOLY FAMILY COMMUNICATIONS
d/b/a THE STATION OF THE CROSS**

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

1. ORGANIZATION

Holy Family Communications d/b/a The Station of the Cross (the "Organization") is a not-for-profit Catholic media organization. The Organization operates radio stations broadcasting to all or portions of Western and Central New York, the Boston, Massachusetts area, Northeast Ohio, and Oil City and Erie, Pennsylvania areas. The Organization also operates on the internet as iCatholicRadio.com and as iCatholicRadio mobile applications.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements are prepared on the accrual basis of accounting and according to current accounting standards, which require that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows. A separate presentation of expenses by function and classification is also required. Classification of net assets and revenues, expenses, gains, and losses are based on the existence or absence of donor-imposed restrictions.

Generally accepted accounting principles require that resources be classified for reporting purposes into two categories based upon the presence or absence of donor restrictions – with donor restrictions or without donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Organization's activities and may be designated by the Organization's Board of Directors for specific purposes. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Organization. As restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

The Organization accounts for contributions in accordance with current accounting standards, which require an organization to recognize contributions, including unconditional promises to give, as revenue when received. These standards also require not-for-profit organizations to distinguish between contributions received that increase net assets without donor restrictions and net assets with donor restrictions, and require recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire.

Cash – Cash represents demand deposit accounts with financial institutions, which, at times, may exceed federally-insured limits. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash.

Property and Equipment – Property and equipment are stated at cost at the date of acquisition or, if donated, at the approximate fair value at the date of donation. Depreciation and amortization are computed using straight-line and accelerated methods at annual rates, which are sufficient to amortize the gross carrying amounts over the estimated useful lives (3 – 39 years). Maintenance and repairs are charged to operations as incurred; significant betterments are capitalized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Station Acquisition Costs and Licenses – The Organization has incurred costs to acquire stations and licenses that management has determined to have indefinite useful lives and therefore are not amortized. Instead, these assets are reviewed annually for impairment, or more frequently, when conditions indicate that impairment may have occurred. Management has determined that there is no impairment of value at December 31, 2019 and 2018. FCC license renewals are expensed as incurred.

Intangible Assets – Intangible assets are comprised of a trademark, web page, and software that are carried at cost, amortized using the straight-line method over ten, three, and five years, respectively.

Recent Accounting Standards Issued – During 2019, the Organization adopted Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU clarifies the principles for recognizing revenue and requires entities to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration the entity expects to receive. In clarifying the principles in revenue recognition, the standard requires a five step approach in recognizing revenue. The adoption of this standard did not have a material impact on the Organization's financial statements.

During 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves current guidance about whether a transaction should be accounted for as a contribution or an exchange transaction, and determining whether a contribution is conditional. The adoption of this standard did not have a material impact on the Organization's financial statements.

In-Kind Contributions – Donated marketable securities and real property are recorded as contributions at their fair values at the date of donation.

Promotion – The Organization expenses all promotion costs when incurred. Promotion expense amounted to approximately \$29,000 and \$23,000 the years ended December 31, 2019 and 2018, respectively.

Income Taxes – The Organization is a 501(c)(3) organization exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and from New York State income taxes under Article 7-A of the Executive Law. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

Functional Expenses – The Organization allocates depreciation, amortization, and interest generally on the basis of department for which the assets were purchased or constructed; the allocation of compensation and related expenses are based on head count of employees and direct cost to specified departments; the allocation of membership drive and donation processing are based on direct costs associated with fundraising expenses; and the allocation of all other expenses between program services, management and general, and fundraising are based on management's reasonable percentage estimate of job function.

Accounting Estimates – 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 amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events – Management of the Organization has evaluated the effects of all subsequent events through February 13, 2020, the date the financial statements were available to be issued, to determine if events or transactions occurring through that date require potential adjustments or disclosure in the financial statements.

Reclassifications – Certain 2018 amounts have been reclassified to conform to the current year presentation.

3. LIQUIDITY

The Organization has approximately \$185,000 of financial assets available within one year of the statement of financial position date, all of which is comprised of cash. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. As more fully described in Note 6, the Organization has a committed line of credit through a financial institution for borrowing up to \$250,000, which could be drawn upon in the event of an unanticipated liquidity need.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2019	2018
Land	\$ 285,539	\$ 285,539
Buildings and improvements	432,014	411,514
Leasehold improvements	275,880	274,895
Office furniture and fixtures	43,614	43,614
Machinery and equipment	<u>1,781,649</u>	<u>1,753,227</u>
	2,818,696	2,768,789
Less accumulated depreciation	<u>1,893,111</u>	<u>1,843,056</u>
	<u>\$ 925,585</u>	<u>\$ 925,733</u>

Depreciation expense was \$50,055 and \$56,532 for the years ended December 31, 2019 and 2018, respectively.

The Organization received a donation of real property in Rochester, New York on December 27, 2018. The real property was appraised at a valuation of \$375,000 on December 1, 2018.

5. FCC LICENSES

The Organization operates nine radio stations under licenses granted by the Federal Communications Commission. WLOF 101.7 FM operates in the Buffalo, New York listening area. WHICH 1460 AM and 92.9 FM operate in the Rochester, New York area, WQOM 1060 AM operates in the Boston, Massachusetts area, WMTQ 88.1 FM operates in the Corning/Elmira, New York area, WTMI 88.7 FM operates in the Syracuse, New York area, WQHE 88.3 FM operates in the Oil City, Pennsylvania area, WMIH 92.1 FM and WMIH 89.5 FM operates in the Erie, Pennsylvania and Northeast Ohio area, and WLGU 90.7 FM operates in Lancaster, New York.

6. LINE OF CREDIT

The Organization has a \$250,000 line of credit with a bank, with interest at the bank's prime rate (4.75% at December 31, 2019). Bank advances on the line of credit are payable on demand. The line is secured by the assets of the Organization and is personally guaranteed by the President of the Organization. There were no borrowings outstanding on the line of credit as of December 31, 2019 and 2018.

7. LONG-TERM DEBT

Long-term debt consisted of the following as of December 31:

	2019	2018
Demand note payable to a bank incurring interest monthly at a rate of 6.50% through August 2019. The note payable was secured by the related equipment, paid in full during 2019.	<u>\$ -</u>	<u>\$ 4,692</u>

8. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consisted of the following as of December 31:

	2019	2018
Net assets with donor restriction, beginning of year	\$ 21,040	\$ -
Donations for future capital improvements	-	20,000
Donations for Mobile Ultrasound Project	2,230	1,040
Net assets released from restriction	<u>(23,270)</u>	<u>-</u>
Net assets with donor restriction, end of year	<u>\$ -</u>	<u>\$ 21,040</u>

9. DONATED GOODS AND SERVICES

The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, fundraising efforts and committee assignment. No accounting recognition is made for the fair market value of services provided by volunteer personnel as no objective basis is available to measure the value of such services.

10. OFFICER'S LIFE INSURANCE

The Organization is the owner and beneficiary of a term life insurance policy with a \$300,000 face value on the life of the President of the Organization.

11. RELATED PARTY TRANSACTIONS

The Organization leased office and station space at 6325 Sheridan Drive, Williamsville, New York on a month-to-month basis from JMJ Enterprises, LLC (the "Lessor"), a single member limited liability company owned by the President of the Organization through July 2019. The lease had no mortgage or other liens. Total payments under this lease were approximately \$23,000 and \$34,000 for the years ended December 31, 2019 and 2018, respectively. The Lessor sold the office and station space to a non-related party in 2019, wherein the Organization commenced monthly lease payments of \$3,600 effective August 2019.

12. LEASE COMMITMENTS

The Organization leases space on transmission towers, studio and office space, land, and office equipment from various lessors with varying terms through July 2024. Rent expense relating to these leases totaled approximately \$123,000 and \$115,000 for the years ended December 31, 2019 and 2018, respectively.

The new Williamsville office lease (Note 11) commencing in August 2019 has a term of five years through July 2024, with a five-year renewal option.

The Organization leases space on a transmission tower in Ashland, Massachusetts from a non-related party under a lease agreement expiring through September 2020. The Organization may renew the lease for two additional five-year terms. Total rental expense under this lease was approximately \$155,000 for each of the years ended December 31, 2019 and 2018.

Future minimum lease payments during the five years subsequent to December 31, 2019 are as follows:

	Office and Radio Stations	Office Equipment	Total
2020	\$ 216,445	\$ 2,640	\$ 219,085
2021	72,900	2,640	75,540
2022	63,225	2,640	65,865
2023	57,060	2,640	59,700
2024	25,200	-	25,200

13. INTENTIONS TO GIVE (unaudited)

The amount of pledges with intentions to give totaled approximately \$266,000 and \$207,000 as of December 31, 2019 and 2018, respectively, which have not been audited and are merely disclosed for informational purposes.

* * * * *