POSITIVE ALTERNATIVE RADIO, INC.

FINANCIAL STATEMENTS

Year ended December 31, 2018

CONTENTS

Foti, Flynn, Lowen & Co.
Calculated solutions.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Positive Alternative Radio, Inc.

We have audited the accompanying financial statements of Positive Alternative Radio, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 qualified audit opinion.

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Basis for Qualified Opinion

As disclosed in Note 13, the Organization had unconditional promises to give related to giving campaigns as of December 31, 2018, that have not been recorded in the accompanying financial statements as required by auditing standards generally accepted in the United States of America (US GAAP). The Organization records unconditional promises to give on a cash basis which is a known departure from US GAAP.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Positive Alternative Radio, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Foti, Flynn, Lowen & Company, P.C.

Roanoke, Virginia
October 15, 2021

POSITIVE ALTERNATIVE RADIO, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Current assets:		
Cash and cash equivalents	$	1,669,137
Certificates of deposit		234,451
Accounts receivable, net		102,956
Due from related parties		302,113
Deposits		3,210
Total current assets		2,311,867
Non-current assets:		
Property and equipment, net		2,039,192
Cash surrender value of life insurance		219,343
Goodwill		6,288,776
Total non-current assets		8,547,311
Total assets	$	10,859,178

The accompanying notes are an integral part of these financial statements

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	$	182,799
Interest payable - related party		12,056
Due to related parties		302,651
Accrued expenses		144,442
Current portion of long-term debt		533,638
Deferred revenues		125,229
Total current liabilities		1,300,815
Long-term debt		3,499,256
Total liabilities		4,800,071
Net assets:		
Without donor restrictions		6,057,673
With donor restrictions		1,434
Total net assets		6,059,107
Total liabilities and net assets	$	10,859,178

POSITIVE ALTERNATIVE RADIO, INC.

STATEMENT OF ACTIVITIES
Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Donations and contributions	$ 5,645,689	$ -	$ 5,645,689
Underwriting and sponsorships	1,529,621	-	1,529,621
Underwriting and sponsorships-barter	241,972	-	241,972
Special events, net	38,382	-	38,382
Other support	15,704	-	15,704
Satisfaction of program restrictions	4,965	(4,965)	-
Total support and revenue	7,476,333	(4,965)	7,471,368
Functional expenses:			
Program services	4,836,994	-	4,836,994
Supporting services:			
Management and general	1,469,115	-	1,469,115
Fundraising	793,723	-	793,723
Total expenses	7,099,832	-	7,099,832
Change in net assets	376,501	(4,965)	371,536
Net assets, beginning of period (as previously stated)	5,465,804	6,399	5,472,203
Adjustment for prior period - Cash surrender value of life insurance	215,368	-	215,368
Net assets, beginning of period (as restated)	5,681,172	6,399	5,687,571
Net assets, end of period	$ 6,057,673	$ 1,434	$ 6,059,107

The accompanying notes are an integral part of these financial statements

POSITIVE ALTERNATIVE RADIO, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2018

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total Expenses
Personnel expenses:				
Salaries	$ 1,723,044	$ -	$ 151,173	$ 1,874,217
Payroll tax	136,345	-	11,962	148,307
Commissions	272,098	-	-	272,098
Insurance	372,408	-	31,211	403,619
Travel and car allowance	98,696	-	9,709	108,405
Training and education	53,815	-	-	53,815
Other employee benefits	135,709	-	9,537	145,246
Total personnel	2,792,115	-	213,592	3,005,707
Other expenses:				
Bank charges	54,085	1,393	86,427	141,905
Charitable contributions	45,000	-	-	45,000
Communication and telephone	90,989	-	60,659	151,648
Depreciation expense	146,884	-	-	146,884
Dues and subscriptions	20,014	-	-	20,014
Equipment leases	-	48,681	-	48,681
Fundraising	-	-	363,379	363,379
Insurance	-	115,391	-	115,391
Interest expense	-	181,708	-	181,708
Legal and professional fees	-	181,315	-	181,315
Licenses fees	165,955	-	-	165,955
Management fees	-	723,481	-	723,481
Marketing	382,959	-	-	382,959
Meals	-	37,326	-	37,326
Miscellaneous	4,870	3,825	3,419	12,114
Music testing	56,320	-	-	56,320
Office expenses	-	39,217	10,888	50,105
Other supplies	14,317	-	-	14,317
Other taxes	-	18,871	-	18,871
Postage	18,533	3,420	55,359	77,312

The accompanying notes are an integral part of these financial statements

POSITIVE ALTERNATIVE RADIO, INC.

STATEMENT OF FUNCTIONAL EXPENSES – (Continued)
Year ended December 31, 2018

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total Expenses
Other expenses (continued):				
Talent fees	38,695	-	-	38,695
Vehicle leases	76,182	-	-	76,182
Total other expenses	1,114,803	1,354,628	580,131	3,049,562
Facilities:				
Rent	432,390	-	-	432,390
Engineering	189,647	114,487	-	304,134
Utilities	221,582	-	-	221,582
Maintenance and repairs	81,891	-	-	81,891
Security	4,566	-	-	4,566
Total facilities	930,076	114,487	-	1,044,563
Total expenses	$ 4,836,994	$ 1,469,115	$ 793,723	$ 7,099,832

The accompanying notes are an integral part of these financial statements

POSITIVE ALTERNATIVE RADIO, INC.

STATEMENT OF CASH FLOWS
Year ended December 31, 2018

Cash flows from operating activities:		
Change in net assets	$	371,536
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		146,884
(Increase) Decrease in operating assets:		
Accounts receivable, net		(2,350)
Amounts due from related parties		(293)
Cash surrender value of life insurance		(3,975)
Increase (Decrease) in operating liabilities:		
Accounts payables		(86,152)
Interest payable - related party		4,468
Amounts due to related parties		209,421
Accrued expenses		82,780
Deferred revenues		26,644
Net cash provided by (used in) operating activities		748,963
Cash flows from investing activities:		
Investment in certificates of deposit		(101,819)
Purchase of property and equipment		(221,599)
Net cash provided by (used in) investing activities		(323,418)
Cash flows from financing activities -		
Principal payments on debt		(554,287)
Net cash provided by (used in) financing activities		(554,287)
Net change in cash, cash equivalents and unrestricted cash		(128,742)
Cash, cash equivalents, and unrestricted cash, beginning of period		1,797,879
Cash, cash equivalents, and unrestricted cash, end of period	$	1,669,137
Supplemental disclosure of cash flow information -		
Cash paid for interest	$	169,652

The accompanying notes are an integral part of these financial statements

1. ORGANIZATION AND NATURE OF ACTIVITIES:

Positive Alternative Radio, Inc. (the Organization) is a non-profit corporation which owns and manages five Christian Broadcasting Radio Station groups: Spirit FM, WCQR, WPER, Walk FM and Joy FM. The Organization broadcasts into eight states (Virginia, Tennessee, West Virginia, North Carolina, South Carolina, Kentucky, Maryland and Ohio). The mission of the Organization is to create experiences that inspire people to live more passionately for Jesus Christ. The Organization's radio stations are plugged into their respective communities and engaged with local ministries. The Organization partners with neighboring non-profits and provides airtime and promotion. The Organization strives to leverage impact for Christ in today's world, on and off the air.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting and Financial Statement Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Net assets and revenues, support, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> Net assets without donor restrictions - Net assets that are available for use in general operations and not subject to donor restrictions. These net assets may be designated for specific purposes by action of the Board of Directors (the "Board") or may otherwise be limited by contractual agreements with outside parties. Revenues, support, gains, and losses that are not net assets with donor restrictions are included in this classification. Expenses are reported as decreases in this classification.
>
> Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor restrictions will be met by the passage of time while others can be fulfilled by action of the Organization pursuant to donor stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents:

For purposes of reporting cash flows, the Organization considers all demand deposits and money market accounts to be cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

Concentration of Credit Risk:

The Organization maintains cash and cash equivalent balances at several banks. Each account is insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) if cash and the Securities Investor Protection Corporation (SIPC) if cash equivalent. The Organization's cash balances at times may exceed insured limits.

Fair Value Measurements:

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 Inputs - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 Inputs - Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs - Unobservable inputs in which there is little or no market data, which requires management to develop their assumptions.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Accounts Receivables:

Receivables are stated at the amount management expects to collect from outstanding balances. Management used the direct write-off method for uncollectible accounts for accounts receivable. Once management has determined that an account is uncollectible, receivables are charged to expenses. Other amounts due from outside parties are evaluated for collectability periodically by management and an allowance for doubtful accounts is established as is considered necessary. There was no bad debt expense for the year ended December 31, 2018.

Property and Equipment:

Property and equipment acquisitions are recorded at cost. It is the policy of the Organization to capitalize and depreciate all asset purchases costing over $2,500 with a useful life five years or greater. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Estimated useful lives range as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

Property and Equipment – (Continued):

	Years
Building and improvements	15-40
Vehicles	5
Computer and related equipment	5
Furniture and fixtures	10
Radio and studio equipment	5-30
General equipment	5-15

Goodwill and Intangible Assets:

The Organization recognized goodwill on intangible assets from the purchase of radio stations. U.S. GAAP no longer allows the amortization of goodwill unless the Organization were to elect to apply an accounting alternative prescribed by the FASB's ASU 2014-02, Intangible-Goodwill and Other (Topic 350). The Organization has not made this accounting alternative election and thus goodwill is not amortized. Instead, The Organization evaluates goodwill on a least an annual basis for potential impairment or more frequently if a triggering event occurs.

Support and Revenue Recognition:

The organization has two major types of revenue: Revenue from Contributions and Revenue from Underwriting and Sponsorships.

Revenue from Contributions consists of donations from individual donors and businesses. All contributions and grants (if received) are available for unrestricted use unless specifically restricted by the donor or grantor.

Contributions received are recorded as donations without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in donations with donor restriction. When a restriction expires, donations with donor restriction net assets are reclassified to donations without donor restriction net assets and reported in the statement of activities as satisfaction of program restrictions. Support that is restricted by the donor is reported as an increase to donations without donor restriction net assets if the restriction expires in the reporting period in which the support is recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

Support and Revenue Recognition – (Continued):

Revenue from Underwriting and Sponsorships consists of revenue received from businesses for recognition on the Organizations radio stations, websites or social media accounts; or revenue from businesses sponsoring the Organizations mission-based events. Revenue is recognized when media is placed and airs or on promotional event days.

The Organization also recognizes revenue from *Barter (trade)* transactions. Barter consists of the exchange of a good or service with a business for recognition on the Organization's radio stations, websites or social media accounts. Revenue is recognized in the period in which service is rendered and corresponding expense when goods or services are received.

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue consists of underwriting and sponsorship payments by donors that have been received that have not been recognized by radio stations.

Donated services and materials are reflected in the accompanying financial statement at their estimated values at date of receipt as both contributions and either expense or assets, depending on the nature of the donated service or material.

In-kind donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation and capitalized if greater than $2,500. Donated goods and services without donor restrictions are recognized as in-kind contribution and in-kind expense if the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Functional Allocation of Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and by natural classification in the statement of functional expenses. Expenses that can be identified to a specific program or support service are charged directly to the related program or service according to their natural expenditure classification. Salaries and benefits are allocated based on assessment of time and effort. Other expenses that are common to several functions are allocated based on estimates made by management.

Advertising Expenses:

The Organization expenses advertising costs as incurred, advertising expenses for the year ended December 31, 2018 totaled $382,959, of which $37,781 was from barter transactions. These costs are listed in the statement of functional expenses as "Marketing".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

Income Taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code but is required to pay taxes on unrelated business income. The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Federal taxes on unrelated income, if applicable, are provided at statutory rates.

Estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Changes in Accounting Principles (Adopted):

The Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard is intended to improve the net asset classification requirements and the information presented in the financial statements about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of the standard include presentation of two classes of net assets versus the previously required three; requirement to report expenses by functional class; elimination of the option to present investment expenses at gross; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and methods used to allocate costs among functional classes.

The changes driven by the adoption of ASU 2016-14 have the following effect on net assets at December 31, 2018:

	ASU 2016-14 Classifications		
Prior to adoption of ASU 2016-14	Without Donor Restrictions	With Donor Restrictions	Total
Unrestricted	$ 5,465,804	$ -	$ 5,465,804
Temporarily restricted	-	6,399	6,399
Permanently restricted	-	-	-
Total net assets	$ 5,465,804	$ 6,399	$ 5,472,203

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

Changes in Accounting Principles (Adopted) – (Continued):

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in legacy U.S. GAAP when it becomes effective. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,* which deferred the effective date of ASU 2014-09 by one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU 2014-09 by another year. As such, ASU 2014-09 is effective for the Organization on January 1, 2020 with early adoption permitted. The Organization adopted the ASU on January 1, 2019; however, its adoption had no impact to the financial statements.

Recent Accounting Pronouncements (Not yet adopted):

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* ASU 2016-02 is a comprehensive new leases standard that amends various aspects of existing guidance for leases and requires additional disclosures about leasing arrangements. It will require lessees to recognize lease assets and lease liabilities for those leases classified as operating under legacy U.S. GAAP. However, Topic 842 does retain a distinction between finance leases and operating leases. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which deferred the effective date of ASU 2016-02 by one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU 2016-02 by another year. As such, ASU 2016-02 is effective for the Organization on January 1, 2022 with early adoption permitted. The Organization is currently evaluating the effects of the standard on its ongoing financial reporting and has not yet adopted the standard.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. The ASU was issued to reduce diversity in practice and its amendments should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Some contributions or grants that are considered exchange transactions under legacy U.S. generally accepted accounting principles may be accounted for as conditional contributions under the ASU. Additionally, some contributions or grants that are considered contributions with no donor-imposed conditions under legacy U.S. generally accepted accounting principles may be considered conditional under the ASU, which may delay recognition of contribution revenue (recipient) or expenses (resource provider). The ASU will be effective in fiscal years beginning after December 15, 2018 for recipient transactions (revenue) and after December 15, 2019 for resource provider transactions (expense), with early adoption permitted. The Organization is currently evaluating the effects of the ASU on its consolidated financial statements and has not yet adopted the ASU.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

Recent Accounting Pronouncements (Not yet adopted) – (Continued):

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) - Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU was issued to increase transparency around contributed nonfinancial assets received by not-for-profit ("NFP") organizations by providing new presentation and disclosure requirements. The ASU requires a NFP to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The ASU also requires a NFP to disclose: 1) A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets; and 2) For each category of contributed nonfinancial assets recognized: a) Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period; b) The NFP's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; c) A description of any donor-imposed restrictions associated with the contributed nonfinancial assets; d) A description of the valuation techniques and inputs used to arrive at a fair value measure; and e) The principal market used to arrive at a fair value measure if it is a market in which the recipient NFP is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in the ASU should be applied on a retrospective basis. The ASU will be effective in fiscal years beginning after June 15, 2021, with early adoption permitted. The Organization is currently evaluating the effects of the ASU on its financial statements and has not yet adopted the ASU.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

As of December 31, 2018, financial assets available for general expenditure within one year of the statement of the financial position are as follows:

Cash and cash equivalents	$ 1,669,137
Certificates of deposit	234,451
Accounts receivable, net	102,956
Total financial assets	2,006,544
Less those unavailable for general expenditure within one year due to:	
Restricted by donor with time or purpose restrictions	(1,434)
Financial assets available for general expenditure within one year	$ 2,005,110

4. ACCOUNTS RECEIVABLE:

As of December 31, 2018, accounts receivable consisted of the following:

Accounts receivable due from underwriting and sponsorships	$	95,063
Accounts receivable - other		7,893
Accounts receivable, net	$	102,956

5. FAIR VALUE MEASUREMENTS:

The Organization's investments are reported at fair value in the accompanying financial statements. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of their fair values. Furthermore, the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents fair value measurement information for certain financial instruments. The carrying values of cash, receivables and payables included in the statements of financial position approximated fair value at December 31, 2018, and are thus not included in the following table.

	Fair Value	Observable Inputs Other than Quoted Prices (Level 2)
Certificates of deposit	$ 234,451	$ 234,451

6. CASH SURRENDER VALUE OF LIFE INSURANCE:

The organization maintains a whole life insurance policy on the primary officer of the Organization, who is also a related party and owner of Eastwood Management Corporation and Baker Investments other related parties. The Organization is the sole beneficiary. The policy is held as collateral against related party notes payable as stated in Note 9. Cash surrender value at December 31, 2018 was $219,343.

In addition to the above life insurance policy, the Organization also carries a six-million-dollar term life insurance policy on the primary officer of the Organization. Annual estimated premiums paid on this policy for the year ended December 31, 2018 amounted to $50,000.

7. PROPERTY AND EQUIPMENT:

A summary of property and equipment as of December 31, 2018 is as follows:

Non-Depreciable Assets -	
Land	$ 85,956
Depreciable Assets:	
Buildings and improvements	1,732,817
Vehicles	54,904
Computer and related equipment	5,800
Furniture and fixtures	17,966
Radio and studio equipment	5,618,136
General equipment	271,684
	7,701,307
Less accumulated depreciation	(5,748,071)
	1,953,236
Property and equipment, net	$ 2,039,192

Depreciation expense for the year ended December 31, 2018 totaled $146,884.

8. GOODWILL AND INTANGIBLE ASSETS:

The Organization has intangible assets established from the purchase of radio stations, primarily FCC licenses. The Organization considers all FCC licenses recorded on the Organizations books to have an indefinite useful life and, therefore, is not amortizing the licenses. Impairment of the intangible assets was considered by the Organization and was determined to have no impairment at December 31, 2018. The amount of Goodwill recorded at December 31, 2018 was $6,288,776. This asset is pledged as collateral in a related party loan, refer to Note 9 for additional details.

9. NOTES PAYABLE:

A summary of notes payable as of December 31, 2018 is as follows:

$8,000,000 promissory note issued December 2005 by Baker Investments, LLC (a related party); Terms of the note follow original promissory note between Baker Investments and First National Bank & Trust, which was refinanced in May 2015 and subsequently assigned to the Organization. Terms currently require principal payments of $41,667 plus interest at 4.05%. Loan matures in 2025. Collateralized by all accounts, instruments, documents, chattel paper and other rights to payment, general intangibles, government payments and programs, and insurance proceeds.	$ 3,458,320
$198,903 promissory note issued by BB&T, as modified in June 2016 for the purpose of refinancing the loan on its Lynchburg station (WRXT). Interest is payable at 4.49% with 119 equal monthly payments of $2,068 commencing August 2016, final payment due July 2026. Collateralized by real estate in Lynchburg, VA with a net book value of $205,128 at December 31, 2018.	140,670
$461,000 promissory note issued by Pinnacle Bank in November 2017, for the purpose of refinancing the existing loans for the (WPER) Studio. Interest is payable at 4.25% with 59 monthly payments of $2,869 and a final balloon payment of $382,761 payable November 2022. Collateralized by real estate in Fredericksburg, VA with a net book value of $399,060 at December 31, 2018.	433,904
	$ 4,032,894
Less current portion	(533,638)
Long-term portion	$ 3,499,256

The loan agreements noted in table above all require that the Organization maintain certain financial covenants. Management is not aware of any violations to these covenants as of December 31, 2018.

9. NOTES PAYABLE – (Continued):

Annual requirements to amortize long-term obligations as of December 31, 2018.

2019	$	533,638
2020		535,150
2021		536,731
2022		905,797
2023		521,620
2024 and after		999,958
	$	4,032,894

10. COMMITMENTS:

The Organization has numerous lease obligations. The Organization leases real and personal property, on-air programs through time brokerage agreements as well as various other license agreements, such as the rental of tower space for antenna placement to expand FM signal reach and broaden the Organization's listener landscape.

Future minimum lease payments for all leases treated as operating at December 31, 2018 are as follows:

2019	$	150,148
2020		125,565
2021		79,922
2022		55,377
2023 and after		128,654
	$	539,666

11. RETIREMENT PLAN:

On January 1, 2014, the Organization elected to become a participating employer in the Eastwood Management Corporation 401(k) plan (a related party) covering substantially all eligible employees. Employees must complete 1 year and 1000 hours of service and attain age 21 before they are eligible to participate. Under the provisions of the plan, eligible employees may defer up to 100% of their compensation. Additionally, the Organization contributes up to 1% of eligible employees' salaries as an employer matching contribution. The retirement plan expense for the year ended December 31, 2018 were $10,366.

12. RELATED PARTY TRANSACTIONS:

The Organization's general and administrative functions are performed by Eastwood Management Company (Eastwood), a related party. The Organization reimburses Eastwood for these services at Eastwood's cost. Eastwood Management is owned by Virginia Baker, Edward Baker, and the Vernon H. Baker Marital Trust, and is operated by Virginia Baker and her son, Edward Baker.

The Organization's primary debt (refer to Note 9) is held by Baker Investments, LLC, which is also owned and operated by Virginia Baker, Edward Baker, and the Vernon H. Baker Marital Trust.

Amounts paid and reimbursed during 2018 and due to and from related party at December 31, 2018 are as follows:

	Eastwood Management Company	Baker Investments, LLC	Total
Expenses paid by related party and reimbursed by the Organization*	$ 2,665,915	$ 4,030	
Management fees**	723,481	-	
Principal payments on related party debt	-	500,004	
Interest expense on related party debt	-	153,001	
Vehicles leased from related party	-	45,507	
Total paid to related party	$ 3,389,396	$ 702,542	$ 4,091,938

* these expenses primarily consist of the reimbursement of payroll and employee benefits, business and life insurance

** these expenses primarily consist of leased General and Administrative employees

	Eastwood Management Company	Baker Investments, LLC	Other Related Parties	Total
Due from related party	$ 256,145	$ 1,200	$ 44,768	$ 302,113
Due to related party	(206,917)	(57,972)	(49,818)	(314,707)
Due (to) from related party, net	$ 49,228	$ (56,772)	$ (5,050)	$ (12,594)

The Bakers also sit on the Board of Directors of the Organization, which consists of five members, all five board members are related parties at December 31, 2018.

13. UNCONDITIONAL PROMISES TO GIVE:

Several times a year, the Organization focuses on giving campaigns to raise funds in order to continue its mission. Some donors make one-time contributions and other donors commit to monthly contributions. These monthly contribution commitments meet the criteria for revenue recognition under FASB Codification Standards and are required to be recorded by US GAAP. These campaigns generate a significant volume of smaller donations that would be difficult to track on an accrual basis. The Organization considered these pledges to be similar to other intentions to give and collection would never be pursued in the event the pledge payment is not collected. For these reasons, the Organization has elected to not record these pledges in these financial statements at December 31, 2018, which is a known departure from US GAAP, since their amount cannot be easily determined.

14. INCOME TAXES:

The Organization determined that all income tax positions would be sustained upon examination, and accordingly, has not recorded any reserve, or related accruals for interest and penalties for uncertain income tax positions pursuant to ASC 740 Income Taxes as of December 31, 2018.

The Organization's previously filed income tax returns for the tax years 2015, 2016, and 2017 remain subject to examinations by a taxing authority. The Organization's income tax returns for the tax year 2018 has been filed and remains subject to examination by the taxing authority.

15. PRIOR PERIOD ADJUSTMENT:

Net assets at the beginning of the period were restated to reflect the valuation of cash surrender value of life insurance asset on an officer of the organization, whereas the organization is the primary beneficiary. The adjustment to beginning balance net assets amount to $215,368, as reflected on the statement of activities.

16. SUBSEQUENT EVENT:

In July 2019, the Organization signed a lease agreement for tower space. This lease commitment is for five years at $32,400 for the first year and a 2% escalation for each of the following years.

On April 17, 2019 the Organization signed an asset purchase agreement to purchase WRAA-FM, a radio station in Luray, VA. On December 18, 2019, the Organization closed on this property by borrowing $150,000 from a bank. This note is payable in 60 equal monthly installments at 4.07% interest.

On October 4, 2019 the Organization purchased WKDI-AM, a radio station in Denton, Maryland for $35,000, $5,000 in cash and remaining $30,000 in the form of note payable to the seller, dated February 7, 2020. The note is payable in 60 equal monthly installments at 3% interest.

16. SUBSEQUENT EVENT - (Continued):

In December 2019, the World Health Organization declared COVID-19 a worldwide pandemic. The Organization was able to maintain donor contributions during 2020, but contributions from underwriting and sponsorships declined by $200,000 from 2019 to 2020. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on its donors, employees and vendors, all of which are uncertain and cannot be predicted at this time.

On February 27, 2020, the Organization signed a $30,000 note agreement with Bayshore Communications, Inc., a related party, for the purchase of all the tangible and intangible assets of WKDI-AM radio station in Denton, Maryland. Note is payable in 60 monthly installments plus interest at 3.0% commencing on March 27, 2020.

On April 1, 2020, the Organization changed the terms of the $150,000 note payable to Atlantic Union Bank. Whereas principal payments have been deferred until October 18, 2020. At that time the Organization will resume normal payment schedule with all unpaid principal due in December 2024.

On April 17, 2020, the Organization applied for and received the Paycheck Protection Program (PPP) loan offered by the federal government to small businesses. These funds in the amount of $571,000 were subsequently forgiven on June 14, 2021.

Other than items noted above, the Organization did not have any material subsequent events through October 15, 2021, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2018.