

**WHITE ASH BROADCASTING, INC.
CLOVIS, CALIFORNIA**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
SEPTEMBER 30, 2019 AND 2018**

WHITE ASH BROADCASTING, INC.
CLOVIS, CALIFORNIA

SEPTEMBER 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
White Ash Broadcasting, Inc.
Clovis, California

We have audited the accompanying financial statements of White Ash Broadcasting, Inc. (the Organization), a nonprofit organization, which comprise the statements of financial position as of September 30, 2019 and 2018 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 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 Organization'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 Organization'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of White Ash Broadcasting, Inc., as of September 30, 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.

Price Pange & Company

Clovis, California
February 17, 2020

**WHITE ASH BROADCASTING, INC.
CLOVIS, CALIFORNIA**

**STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 860,806	\$ 783,956
Pledges receivable, net	252,788	321,228
Bequest receivable	293,780	-
Prepaid expenses	43,648	40,697
Total current assets	<u>1,451,022</u>	<u>1,145,881</u>
Long-term assets:		
Pledges receivable, net	9,258	10,347
Investments	639,459	705,920
Property and equipment, net	3,672,052	3,914,733
Total long-term assets	<u>4,320,769</u>	<u>4,631,000</u>
Total assets	<u>\$ 5,771,791</u>	<u>\$ 5,776,881</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 12,144	\$ 7,798
Vacation payable	45,696	40,541
Other accrued expenses	16,650	15,173
Unearned revenue	9,600	9,600
Note payable, current portion	37,681	36,515
Total current liabilities	<u>121,771</u>	<u>109,627</u>
Long-term liabilities:		
Note payable, long-term portion	1,061,487	1,298,987
Total long-term liabilities	<u>1,061,487</u>	<u>1,298,987</u>
Total liabilities	<u>1,183,258</u>	<u>1,408,614</u>
Net assets:		
With donor restrictions	1,154,741	963,950
Total with donor restrictions	<u>1,154,741</u>	<u>963,950</u>
Without donor restrictions		
Designated by the Board for endowment	35,575	34,209
Undesignated	3,398,217	3,370,108
Total without donor restrictions	<u>3,433,792</u>	<u>3,404,317</u>
Total net assets	<u>4,588,533</u>	<u>4,368,267</u>
Total liabilities and net assets	<u>\$ 5,771,791</u>	<u>\$ 5,776,881</u>

**WHITE ASH BROADCASTING, INC.
CLOVIS, CALIFORNIA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Without donor restrictions	With donor restrictions	Total
Revenues and support:			
Contributions	\$ 1,239,101	\$ 376,621	\$ 1,615,722
Grants	128,503	425,240	553,743
Special events, net of direct expenses of \$65,483	97,707	-	97,707
Realized and unrealized gain/(loss)	1,366	24,805	26,171
Interest and dividend income	3,851	-	3,851
Other income	<u>16,538</u>	<u>-</u>	<u>16,538</u>
Total revenues and support before net assets released from restrictions	<u>1,487,066</u>	<u>826,666</u>	<u>2,313,732</u>
Net assets released from restrictions	<u>635,875</u>	<u>(635,875)</u>	<u>-</u>
Total revenues and support after reclassification of net assets released from restrictions	<u>2,122,941</u>	<u>190,791</u>	<u>2,313,732</u>
Expenses and gains/losses:			
Program services:			
Programming and production	849,885	-	849,885
Broadcasting and technical	717,742	-	717,742
Public information	<u>186,421</u>	<u>-</u>	<u>186,421</u>
Total program expenses	<u>1,754,048</u>	<u>-</u>	<u>1,754,048</u>
Supporting services:			
General administration	178,181	-	178,181
Fundraising and membership development	<u>155,639</u>	<u>-</u>	<u>155,639</u>
Total supporting expenses	<u>333,820</u>	<u>-</u>	<u>333,820</u>
Gains/losses:			
Loss on uncollectable pledges	<u>5,598</u>	<u>-</u>	<u>5,598</u>
Total gains/losses	<u>5,598</u>	<u>-</u>	<u>5,598</u>
Total expenses and gains/losses	<u>2,093,466</u>	<u>-</u>	<u>2,093,466</u>
Changes in net assets	29,475	190,791	220,266
Net assets, beginning of year	<u>3,404,317</u>	<u>963,950</u>	<u>4,368,267</u>
Net assets, end of year	<u>\$ 3,433,792</u>	<u>\$ 1,154,741</u>	<u>\$ 4,588,533</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**WHITE ASH BROADCASTING, INC.
CLOVIS, CALIFORNIA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Without donor restrictions	With donor restrictions	Total
Revenues and support:			
Contributions	\$ 1,267,480	\$ 349,184	\$ 1,616,664
Grants	163,367	513,774	677,141
Special events, net of direct expenses of \$67,904	113,646	-	113,646
Realized and unrealized gain/(loss)	1,469	27,661	29,130
Interest and dividend income	3,059	-	3,059
Other income	17,723	-	17,723
Total revenues and support before net assets released from restrictions	<u>1,566,744</u>	<u>890,619</u>	<u>2,457,363</u>
Net assets released from restrictions	<u>633,490</u>	<u>(633,490)</u>	<u>-</u>
Total revenues and support after reclassification of net assets released from restrictions	<u>2,200,234</u>	<u>257,129</u>	<u>2,457,363</u>
Expenses and gains/losses:			
Program services:			
Programming and production	875,311	-	875,311
Broadcasting and technical	604,605	-	604,605
Public information	198,398	-	198,398
Total program expenses	<u>1,678,314</u>	<u>-</u>	<u>1,678,314</u>
Supporting services:			
General administration	138,477	-	138,477
Fundraising and membership development	166,562	-	166,562
Total supporting expenses	<u>305,039</u>	<u>-</u>	<u>305,039</u>
Gains/losses:			
Loss on uncollectable pledges	6,633	-	6,633
Total gains/losses	<u>6,633</u>	<u>-</u>	<u>6,633</u>
Total expenses and gains/losses	<u>1,989,986</u>	<u>-</u>	<u>1,989,986</u>
Changes in net assets	210,248	257,129	467,377
Net assets, beginning of year	<u>3,194,069</u>	<u>706,821</u>	<u>3,900,890</u>
Net assets, end of year	<u>\$ 3,404,317</u>	<u>\$ 963,950</u>	<u>\$ 4,368,267</u>

**WHITE ASH BROADCASTING, INC.
CLOVIS, CALIFORNIA**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Program			Supporting Services		
	Programming & Production	Broadcasting & Technical	Public Information	General Administration	Fundraising & Membership Development	Total
Salaries and related costs:						
Salary and wages	\$ 226,750	\$ 365,661	\$ 73,541	\$ 104,183	\$ 87,840	\$ 857,975
Employer taxes and benefits	35,458	57,179	11,500	16,291	13,736	134,164
Total salaries and related costs	<u>262,208</u>	<u>422,840</u>	<u>85,041</u>	<u>120,474</u>	<u>101,576</u>	<u>992,139</u>
Other expenses:						
Contractual services	8,013	20,833	1,603	-	1,603	32,052
Office expenses	8,184	6,140	18,419	2,047	6,140	40,930
Interest expense	23,240	21,128	5,282	1,584	1,585	52,819
Utilities	19,742	35,535	6,581	1,974	1,973	65,805
Telephone	2,673	3,341	4,678	668	2,005	13,365
Tower rental	-	13,200	-	-	-	13,200
General insurance	11,387	12,810	1,423	1,423	1,424	28,467
Repair and maintenance	12,383	13,381	8,390	9,386	-	43,540
Training and travel	6,496	3,248	9,743	1,083	1,082	21,652
Taxes and licenses	350,860	18,376	976	974	-	371,186
Advertising and promotion	9,172	-	2,446	-	611	12,229
Dues and subscriptions	1,102	1,928	1,377	275	827	5,509
Professional fees	8,334	18,891	21,452	11,810	1,160	61,647
Miscellaneous	1,586	1,586	13,711	11,331	792	29,006
Data processing	-	-	-	9,854	29,563	39,417
Depreciation expense	<u>124,505</u>	<u>124,505</u>	<u>5,299</u>	<u>5,298</u>	<u>5,298</u>	<u>264,905</u>
Total other expenses	<u>587,677</u>	<u>294,902</u>	<u>101,380</u>	<u>57,707</u>	<u>54,063</u>	<u>1,095,729</u>
Total expenses	<u>\$ 849,885</u>	<u>\$ 717,742</u>	<u>\$ 186,421</u>	<u>\$ 178,181</u>	<u>\$ 155,639</u>	<u>\$ 2,087,868</u>

**WHITE ASH BROADCASTING, INC.
CLOVIS, CALIFORNIA**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Program			Supporting Services		
	Programming & Production	Broadcasting & Technical	Public Information	General Administration	Fundraising & Membership Development	Total
Salaries and related costs:						
Salary and wages	\$ 284,786	\$ 272,034	\$ 78,635	\$ 78,635	\$ 93,512	\$ 807,602
Employer taxes and benefits	46,782	44,687	12,917	12,917	15,361	132,664
Total salaries and related costs	<u>331,568</u>	<u>316,721</u>	<u>91,552</u>	<u>91,552</u>	<u>108,873</u>	<u>940,266</u>
Other expenses:						
Contractual services	-	17,104	-	-	3,018	20,122
Office expenses	2,518	1,435	36,211	1,084	3,857	45,105
Interest expense	25,941	23,583	5,896	1,769	1,769	58,958
Utilities	19,827	35,689	6,609	1,983	1,983	66,091
Telephone	2,072	2,591	3,627	518	1,554	10,362
Tower rental	-	13,200	-	-	-	13,200
General insurance	11,543	12,983	1,445	1,443	1,443	28,857
Repair and maintenance	8,869	9,195	7,567	7,892	-	33,523
Training and travel	5,173	2,586	7,758	862	862	17,241
Taxes and licenses	320,967	18,196	1,446	1,446	-	342,055
Advertising and promotion	2,204	-	6,137	-	763	9,104
Dues and subscriptions	1,133	1,983	1,416	283	850	5,665
Professional fees	16,887	22,732	22,923	12,919	1,190	76,651
Miscellaneous	1,345	4,676	2,691	673	673	10,058
Data processing	-	-	-	10,193	30,579	40,772
Depreciation expense	125,264	121,931	3,120	5,635	9,148	265,098
Bank service charges	-	-	-	225	-	225
Total other expenses	<u>543,743</u>	<u>287,884</u>	<u>106,846</u>	<u>46,925</u>	<u>57,689</u>	<u>1,043,087</u>
Total expenses	<u>\$ 875,311</u>	<u>\$ 604,605</u>	<u>\$ 198,398</u>	<u>\$ 138,477</u>	<u>\$ 166,562</u>	<u>\$ 1,983,353</u>

**WHITE ASH BROADCASTING, INC.
CLOVIS, CALIFORNIA**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Contributions received	\$ 1,489,178	\$ 1,861,548
Grants received	553,743	677,141
Payments to vendors	(775,576)	(769,169)
Payments to employees, including taxes and benefits	(992,139)	(940,266)
Payments on interest	(52,819)	(58,958)
Proceeds from interest and dividends	3,851	3,059
Other cash receipts	<u>16,538</u>	<u>17,723</u>
Net cash provided by operating activities	<u>242,776</u>	<u>791,078</u>
Cash flows from investing activities:		
Purchase of property and equipment	(22,224)	(19,000)
Purchase of investments	(161,938)	(496,204)
Proceeds from sale of investments	<u>254,570</u>	<u>194,634</u>
Net cash provided by (used in) investing activities	<u>70,408</u>	<u>(320,570)</u>
Cash flows from financing activities:		
Principal payments on note payable	<u>(236,334)</u>	<u>(237,907)</u>
Net cash used in financing activities	<u>(236,334)</u>	<u>(237,907)</u>
Net increase in cash	76,850	232,601
Cash, beginning of year	<u>783,956</u>	<u>551,355</u>
Cash, end of year	<u>\$ 860,806</u>	<u>\$ 783,956</u>
Reconciliation of changes in net assets to net operating cash flows:		
Changes in net assets	\$ 220,266	\$ 467,377
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	264,905	265,098
(Gain) loss on uncollectable pledges	5,598	6,633
Unrealized gain on investments	(26,171)	(29,130)
Changes in operating assets and liabilities:		
(Increase) decrease in pledges receivable	63,931	56,701
(Increase) decrease in bequest receivable	(293,780)	-
(Increase) decrease in prepaid expenses	(2,951)	31,908
Increase (decrease) in accounts payable	4,346	601
Increase (decrease) in vacation payable	5,155	(8,264)
Increase (decrease) in other accrued expenses	<u>1,477</u>	<u>154</u>
Net cash provided by operating activities	<u>\$ 242,776</u>	<u>\$ 791,078</u>

**WHITE ASH BROADCASTING, INC.
CLOVIS, CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 1 – ORGANIZATION AND OPERATIONS

Organization

White Ash Broadcasting, Inc. (the Organization) is a nonprofit corporation which operates public radio stations in Clovis and Bakersfield, California, under the call letters KVPR and KPRX.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Classification of Net Assets

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Organization maintains cash balances with various financial institutions insured by the Federal Deposit Insurance Corporation. The uninsured portions of these balances were \$592,311 and \$605,843 as of September 30, 2019 and 2018, respectively.

**WHITE ASH BROADCASTING, INC.
CLOVIS, CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. The fair values of investments are based on quoted market prices. The Organization's investment policy authorizes investments in United States government obligations, corporate bonds, common stock and mutual funds.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or fair market value at the date of the donation. The Organization's policy is to capitalize all purchases in excess of \$2,500. Any purchases less than \$2,500 for property and equipment are expensed through operations unless the items are to be kept for three years or more. Routine repairs and maintenance, including planned major maintenance activities are expensed when incurred. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	7-39 years
Radio equipment	3-15 years
Office furniture and fixtures	3-15 years
Leasehold improvements	3-15 years

Compensated Absences

The Organization accrues personal time off for its qualified employees. The Organization's policy allows for up to 216 hours per year of paid time off. Personal time off accrued has been recorded and is included in vacation payable at year-end.

Revenue Recognition

The Organization recognizes revenues when earned, regardless of the timing of cash receipts. Revenue is considered earned when the Organization has substantially met its obligation to be entitled to the benefits represented by the revenue. Deposits, advance payments and progress payments for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenues and are recognized as revenue only when the revenue-producing event has occurred.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose for restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions or grants received and expended in the same fiscal year are reported as temporarily restricted net assets and releases from restriction, respectively, in the statement of activities.

WHITE ASH BROADCASTING, INC.
CLOVIS, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Expenses (Continued)

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Donated In-Kind Services

Donated in-kind services are recognized as contributions if they significantly enhance non-financial assets or involve a professional service that would otherwise have been purchased and whose values can be objectively measured. Many individuals have donated time and services to advance the Organization's programs and objectives. The value of these services has not been recorded in the financial statements because they do not meet the definition for recognition under generally accepted accounting principles.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses for the years ended September 30, 2019 and 2018 were \$2,530 and \$2,938, respectively.

Income Taxes

The Organization has qualified as a nonprofit organization and has been granted tax-exempt status pursuant to Internal Revenue Code Section 501 (c) (3) and California Revenue and Taxation Code Section 23701(d) and is exempt from Federal and State of California income taxes.

Generally accepted accounting principles provide accounting and disclosures guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Fair Value of Financial Instruments

The Organization considers its cash, pledges receivable, prepaid expenses, accounts payable, vacation payable, other accrued expenses and unearned revenue to be short-term in nature, and therefore their fair value approximates their carrying values.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WHITE ASH BROADCASTING, INC.
CLOVIS, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities of the Organization have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities based on management's estimate of the personnel resources utilized in the function.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salary and wages	Time & Effort
Employer taxes and benefits	Time & Effort
Contractual services	Time & Effort
Office expenses	Time & Effort
Interest expense	Time & Effort
Utilities	Time & Effort
Telephone	Time & Effort
General insurance	Time & Effort
Repair and maintenance	Time & Effort
Training and travel	Time & Effort
Advertising and promotion	Time & Effort
Dues and subscriptions	Time & Effort
Professional fees	Time & Effort
Miscellaneous	Time & Effort
Taxes and licenses	Time & Effort
Data processing	Time & Effort
Depreciation expense	Time & Effort

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 3 – AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure within one year consist of the following at September 30, 2019:

Cash and cash equivalents	\$ 860,806
Pledges receivable	252,788
Investments	<u>639,459</u>
	1,753,053
Less amounts not available to be used within one year	
Donor-restricted with liquidity horizons greater than one year	<u>(537,256)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 1,215,797</u></u>

WHITE ASH BROADCASTING, INC.
CLOVIS, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 3 – AVAILABILITY AND LIQUIDITY (Continued)

The Organization has not adopted an official liquidity management plan or cash maintenance policy. However, cash, cash equivalents, and investments are reviewed on a regular basis and adjusted, as needed, to account for immediate cash needs, assess risk, and maximize return. Consistent with previous years, the Organization conservatively maintains sufficient liquidity to meet its operating requirements and perform its mission.

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable represent promises to give which have been made by donors but have not yet been received by the Organization. Pledges which will not be received in the subsequent year have been discounted using an estimated rate of return, which could be earned if such contributions have been made in the current year. The noncurrent portion of pledges receivable are related to the Capital Campaign. The Organization determines uncollectible pledges based upon management's review of historical collection information. The discount rate applied to arrive at net present value was 2%.

Total pledges were as follows at September 30:

	<u>2019</u>	<u>2018</u>
Receivables in less than one year	\$ 260,288	\$ 328,728
Receivables in one to five years	<u>10,035</u>	<u>13,025</u>
Total	270,323	341,753
Less: Discount to net present value	<u>(777)</u>	<u>(2,678)</u>
Subtotal	269,546	339,075
Less: Allowance for uncollectible pledges	<u>(7,500)</u>	<u>(7,500)</u>
Net pledges receivable	<u>\$ 262,046</u>	<u>\$ 331,575</u>

NOTE 5 – INVESTMENTS

Investments include funds with donor restrictions and funds without donor restrictions. The fair value of investments is as follows at September 30:

	<u>2019</u>	<u>2018</u>
Corporate bond funds	\$ 383,963	\$ 233,847
Equity funds	255,157	392,161
Money markets	339	338
Fixed income	<u>-</u>	<u>79,574</u>
Total	<u>\$ 639,459</u>	<u>\$ 705,920</u>

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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 5 – INVESTMENTS (Continued)

As stated in Note 2, income from net assets with donor restrictions is available to support any activity. Therefore, the investment return increases the net assets without donor restrictions.

Investment return consists of the following at September 30:

	<u>2019</u>	<u>2018</u>
Investment earnings	\$ 29,679	\$ 25,183
Unrealized gain/(loss)	<u>(3,508)</u>	<u>3,947</u>
Total	<u>\$ 26,171</u>	<u>\$ 29,130</u>

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant observable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Valuations are for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly. Valuations are for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities. The Organization has no financial assets or liabilities of this category.

Level 3: Inputs are unobservable. Valuations are for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discount cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining fair value assigned to such assets or liabilities. The Organization has no financial assets or liabilities in this category.

The table below presents the level within the fair value hierarchy at which investments are measured at September 30, 2019:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity Funds	\$ 255,157	\$ -	\$ -
Bond Funds	383,963	-	-
Money Market	339	-	-
Fixed Income	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 639,459</u>	<u>\$ -</u>	<u>\$ -</u>

WHITE ASH BROADCASTING, INC.
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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 5 – INVESTMENTS (Continued)

The table below presents the level within the fair value hierarchy at which investments are measured at September 30, 2018:

Description	Level 1	Level 2	Level 3
Equity Funds	\$ 392,161	\$ -	\$ -
Bond Funds	233,847	-	-
Money Market	338	-	-
Fixed Income	79,574	-	-
	<u>\$ 705,920</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at September 30:

	2019	2018
Land	\$ 411,650	\$ 411,650
Radio equipment	413,844	413,844
Office furniture and fixtures	67,436	56,849
Leasehold improvements	57,034	57,034
Buildings and Improvements	3,851,341	3,839,704
	4,801,305	4,779,081
Accumulated depreciation	<u>(1,129,253)</u>	<u>(864,348)</u>
Property and equipment, net	<u>\$ 3,672,052</u>	<u>\$ 3,914,733</u>

Depreciation expense for the years ended September 30, 2019 and 2018 was \$264,905 and \$265,098, respectively.

NOTE 7 – LINE OF CREDIT

The Organization has a line of credit agreement with the United Security Bank that provides for borrowings of up to \$150,000 at the bank's prime rate (5.45% at September 30, 2019). Any borrowings under this line are collateralized by the Organization's savings account, deposits, receivables and fixed assets. At September 30, 2019 and 2018, the Organization did not carry a balance on the line of credit. The Organization did not pay any interest for the year ended September 30, 2019 and 2018. The line expired in October 2019 and was renewed with comparable terms and a maturity date in October 2020.

WHITE ASH BROADCASTING, INC.
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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 8 – NOTE PAYABLE

The Organization has a note payable to United Security Bank payable in monthly installment of \$7,429 including interest at 3.95% secured by assets of the Organization. The note has a principal balance of \$1,099,168 and \$1,335,502 at September 30, 2019 and 2018, respectively.

Principal payments consist of the following for years ending September 30:

2020	\$ 37,681
2021	39,361
2022	40,997
2023	42,638
2024	44,252
Thereafter	<u>894,239</u>
Total	<u>\$ 1,099,168</u>

Total interest expense on the note payable was \$52,819 and \$58,958 for the years ended September 30, 2019 and 2018, respectively.

NOTE 9 – ENDOWMENTS

Generally accepted accounting principles provide guidance on the net asset classification of donor restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Organization's endowment consists of approximately six individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the Organization to classify as endowments (included with Net Assets with Donor Restrictions), the fair value of the original gift as of the gift date, the original value of subsequent gifts, including any accumulations to the donor-restricted endowments made in accordance with the applicable gift instruments. Accumulated earnings above or deficits below the original gift values in each endowment fund are reported as an increase or decrease to each fund within Net Assets with Donor Restrictions.

The remaining portion of endowment funds that are not classified as Net Assets with Donor Restrictions are not subject to explicit donor restriction and are subject to the Organization's spending policy. The following represents the composition of endowment funds that have explicit donor stipulations prohibiting the spending of principal and endowment funds that do not have specific donor stipulations, however are subject to the Organization's endowment spending policies.

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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 9 – ENDOWMENTS (Continued)

Interpretation of Relevant Law (Continued)

The Organization's endowment funds by composition consist of the following at September 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 630,470	\$ 630,470
Board-designated endowment funds	<u>35,575</u>	<u>-</u>	<u>35,575</u>
Total endowed net assets	<u>\$ 35,575</u>	<u>\$ 630,470</u>	<u>\$ 666,045</u>

The Organization's endowment funds by composition consist of the following at September 30, 2018:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 601,409	\$ 601,409
Board-designated endowment funds	<u>34,209</u>	<u>-</u>	<u>34,209</u>
Total endowed net assets	<u>\$ 34,209</u>	<u>\$ 601,409</u>	<u>\$ 635,618</u>

Changes in Endowment Net Assets

The following schedule shows changes in endowment net assets for the year ended September 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, October 1, 2018	\$ 34,209	\$ 601,409	\$ 635,618
Investment return:			
Investment income	1,366	28,313	29,679
Net appreciation (depreciation)	<u>-</u>	<u>(3,508)</u>	<u>(3,508)</u>
Total investment return	<u>1,366</u>	<u>24,805</u>	<u>26,171</u>
Contributions	<u>-</u>	<u>4,256</u>	<u>4,256</u>
Endowment net assets, September 30, 2019	<u>\$ 35,575</u>	<u>\$ 630,470</u>	<u>\$ 666,045</u>

WHITE ASH BROADCASTING, INC.
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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 9 – ENDOWMENTS (Continued)

Changes in Endowment Net Assets (Continued)

The following schedule shows changes in endowment net assets for the year ended September 30, 2018:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, October 1, 2017	\$ 32,740	\$ 376,002	\$ 408,742
Investment return:			
Investment income	1,469	23,714	25,183
Net appreciation (depreciation)	-	3,947	3,947
Total investment return	1,469	27,661	29,130
Contributions	-	197,746	197,746
Endowment net assets, September 30, 2018	\$ 34,209	\$ 601,409	\$ 635,618

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. There were no deficiencies in the Organization's endowment funds for the years ended September 30, 2019 and 2018.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 3.5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on bond-based investments to achieve its long-term return objectives within prudent risk constraints. The investment committee meets quarterly to assess the investment assets and the returns from the assets. As of September 30, 2019, the Organization had an investment policy of approximately 60% bonds, 40% stocks in order to be conservative in an uncertain market.

**WHITE ASH BROADCASTING, INC.
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**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 9 – ENDOWMENTS (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Board of Directors shall comply with state and federal laws requiring minimum distributions applicable to non-profit organizations as well as the laws relating to maximum distributions that are presumptively excessive. Under this policy the Board of Directors retains full discretion with respect to principal and income of the endowments that are consistent with the laws governing such funds. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of three percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Organization participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 11 – RELATED PARTY TRANSACTIONS

During September 2019, the Board of Directors approved for the Organization to enter into a five-year fixed-cost power purchase agreement with Zumwalt Construction, Inc. for solar energy. Zumwalt Construction, Inc. is owned primarily by a current board member, whom was not allowed to participate in discussions or decision-making in regards to the matter due to conflict of interest. The agreement contains a purchase option at the end of the term, which management intends to exercise. The Organization received additional proposals for this project's view and upon review of these, determined that Zumwalt Construction, Inc. provided the greatest savings in total project costs. There were no amounts paid to, or due to, Zumwalt Construction, Inc. for the year ended September 30, 2019.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no subsequent events that have occurred from September 30, 2019 through the date the financial statements were available to be issued at February 17, 2020 that would require additional disclosure or adjustment.