

**NEVADA CITY COMMUNITY BROADCAST GROUP**

**FINANCIAL STATEMENTS**  
**September 30, 2015 and 2014**

NEVADA CITY COMMUNITY BROADCAST GROUP

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Nevada City Community Broadcast Group  
Nevada City, California

We have audited the accompanying financial statements of the Nevada City Community Broadcast Group (the "Company"), a non-profit organization, which comprise the statements of financial position as of September 30, 2015 and 2014, 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 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 Company'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 the Nevada City Community Broadcast Group, as of September 30, 2015 and 2014, 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.

*Propp Christensen Caniglia LLP*

February 24, 2016  
Roseville, California

NEVADA CITY COMMUNITY BROADCAST GROUP

STATEMENTS OF FINANCIAL POSITION  
For the Years Ended September 30, 2015 and 2014

	ASSETS	
	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 435,945	\$ 449,425
Accounts receivable, net	150,696	137,403
Prepaid expenses and other assets	<u>152,836</u>	<u>7,046</u>
Total current assets	739,477	593,874
Restricted cash	329,623	130,855
Other assets	3,000	3,000
Property and equipment, net	<u>3,960,742</u>	<u>3,182,936</u>
Total assets	<u>\$ 5,032,842</u>	<u>\$ 3,910,665</u>
	LIABILITIES AND NET ASSETS	
Current liabilities:		
Accounts payable	\$ 26,269	\$ 31,795
Accrued compensated absences	17,464	26,121
Accrued payroll	3,747	2,686
Accrued expenses	327,374	526,451
Deferred income	284,567	124,889
Note payable	732,591	-
Line of credit	<u>1,429,197</u>	<u>1,425,908</u>
Total liabilities	<u>2,821,209</u>	<u>2,137,850</u>
Net assets:		
Unrestricted	1,837,941	1,602,078
Temporarily restricted	<u>373,692</u>	<u>170,737</u>
Total net assets	<u>2,211,633</u>	<u>1,772,815</u>
Total liabilities and net assets	<u>\$ 5,032,842</u>	<u>\$ 3,910,665</u>

The accompanying notes are an integral part  
of these financial statements.

NEVADA CITY COMMUNITY BROADCAST GROUP

STATEMENTS OF ACTIVITIES  
For the Years Ended September 30, 2015 and 2014

	Unrestricted	Temporarily Restricted	2015 Total
Revenue and support:			
Contributions	\$ -	\$ 498,979	\$ 498,979
In-kind support	278,990	-	278,990
Government grants	130,906	38,399	169,305
Underwriting	289,704	-	289,704
Rent	5,247	-	5,247
Membership	334,143	-	334,143
Interest income	1,893	-	1,893
Other revenue	34,680	-	34,680
Net assets released from restriction	334,423	(334,423)	-
Revenue and support	<u>1,409,986</u>	<u>202,955</u>	<u>1,612,941</u>
Special events revenue	9,065	-	9,065
Special events expenses	(1,549)	-	(1,549)
Special events, net	<u>7,516</u>	<u>-</u>	<u>7,516</u>
Total revenue and support and special events	<u>1,417,502</u>	<u>202,955</u>	<u>1,620,457</u>
Expenditures:			
Programs:			
Programming	454,454	-	454,454
Broadcasting	175,075	-	175,075
Program information and promotion	90,303	-	90,303
Support:			
Membership and fundraising	295,979	-	295,979
Management and general	165,828	-	165,828
Total expenditures	<u>1,181,639</u>	<u>-</u>	<u>1,181,639</u>
Change in net assets	235,863	202,955	438,818
Net assets, beginning of year	<u>1,602,078</u>	<u>170,737</u>	<u>1,772,815</u>
Net assets, end of year	<u>\$ 1,837,941</u>	<u>\$ 373,692</u>	<u>\$ 2,211,633</u>

The accompanying notes are an integral part  
of these financial statements.

NEVADA CITY COMMUNITY BROADCAST GROUP

STATEMENTS OF ACTIVITIES (CONTINUED)  
For the Years Ended September 30, 2015 and 2014

	Unrestricted	Temporarily Restricted	2014 Total
Revenue and support:			
Contributions	\$ 872	\$ 315,186	\$ 316,058
In-kind support	291,021	-	291,021
Government grants	136,194	39,260	175,454
Underwriting	283,585	-	283,585
Rent	4,847	-	4,847
Membership	336,094	-	336,094
Interest income	1,890	53	1,943
Other revenue	28,923	-	28,923
Net assets released from restriction	574,919	(574,919)	-
Revenue and support	<u>1,658,345</u>	<u>(220,420)</u>	<u>1,437,925</u>
Special events revenue	239,823	-	239,823
Special events expenses	<u>(201,481)</u>	<u>-</u>	<u>(201,481)</u>
Special events, net	<u>38,342</u>	<u>-</u>	<u>38,342</u>
Total revenue and support and special events	<u>1,696,687</u>	<u>(220,420)</u>	<u>1,476,267</u>
Expenditures:			
Programs:			
Programming	430,671	-	430,671
Broadcasting	148,603	-	148,603
Program information and promotion	111,977	-	111,977
Support:			
Membership and fundraising	285,294	-	285,294
Management and general	<u>187,118</u>	<u>-</u>	<u>187,118</u>
Total expenditures	<u>1,163,663</u>	<u>-</u>	<u>1,163,663</u>
Change in net assets	533,024	(220,420)	312,604
Net assets, beginning of year	<u>1,069,054</u>	<u>391,157</u>	<u>1,460,211</u>
Net assets, end of year	<u>\$ 1,602,078</u>	<u>\$ 170,737</u>	<u>\$ 1,772,815</u>

The accompanying notes are an integral part  
of these financial statements.

NEVADA CITY COMMUNITY BROADCAST GROUP

STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended September 30, 2015 and 2014

	Programming	Broadcasting	Program Information and Promotion	Membership and Fundraising	Management and General	2015 Total
Advertising	\$ -	\$ -	\$ 3,604	\$ 396	\$ -	\$ 4,000
Bank fees	64	-	650	7,884	165	8,763
Commissions	-	-	17,121	16,919	-	34,040
Computer	2,806	1,034	519	5,812	1,251	11,422
Conferences and training	412	-	43	295	10	760
Depreciation	25,239	33,815	1,469	8,690	5,330	74,543
Donor recognition	-	-	500	553	-	1,053
Dues and subscriptions	3,000	390	2,165	1,035	1,494	8,084
Equipment	-	6,208	-	-	-	6,208
Equipment rental	-	129	-	963	358	1,450
Fees and permits	52	-	50	359	904	1,365
In-kind	146,650	24,600	18,303	30,880	24,257	244,690
Insurance	4,390	5,442	120	420	8,014	18,386
Interest	25,298	4,323	1,856	6,502	3,323	41,302
Miscellaneous	3,075	362	155	3,877	1,291	8,760
Personnel	121,007	69,490	35,340	165,141	67,033	458,011
Postage	-	350	173	7,527	327	8,377
Printing	410	41	812	4,197	204	5,664
Professional fees	52,196	2,771	1,921	3,661	40,823	101,372
Program acquisition	24,467	-	-	-	-	24,467
Promotions	-	-	2,166	8,175	-	10,341
Rent	19,116	11,318	778	8,079	6,609	45,900
Repairs and maintenance	217	80	13	75	46	431
Supplies	5,027	1,629	1,173	6,584	599	15,012
Telephone	3,390	4,230	519	2,101	298	10,538
Travel	154	459	-	243	21	877
Utilities	14,646	8,404	853	5,043	3,093	32,039
Website	2,838	-	-	568	378	3,784
<b>Total expenditures</b>	<b>\$ 454,454</b>	<b>\$ 175,075</b>	<b>\$ 90,303</b>	<b>\$ 295,979</b>	<b>\$ 165,828</b>	<b>\$ 1,181,639</b>

The accompanying notes are an integral part of these financial statements.

NEVADA CITY COMMUNITY BROADCAST GROUP

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

For the Years Ended September 30, 2015 and 2014

	Programming	Broadcasting	Program Information and Promotion	Membership and Fundraising	Management and General	2014 Total
Advertising	\$ -	\$ -	\$ 5,825	\$ -	\$ -	\$ 5,825
Bank fees	-	-	734	6,732	603	8,069
Commissions	-	-	14,763	14,763	-	29,526
Computer	7,479	297	449	5,756	1,684	15,665
Conferences and training	158	-	-	45	100	303
Depreciation	-	24,069	-	-	-	24,069
Donor recognition	-	-	504	930	-	1,434
Dues and subscriptions	495	-	1,510	330	935	3,270
Equipment	-	839	-	-	-	839
Equipment rental	-	129	-	1,411	760	2,300
Fees and permits	64	-	-	63	421	548
In-kind	153,565	5,249	16,675	45,374	17,946	238,809
Insurance	2,875	5,130	-	-	5,339	13,344
Miscellaneous	1,549	-	46	579	922	3,096
Personnel	139,782	69,242	50,629	149,448	112,662	521,763
Postage	-	30	-	8,436	36	8,502
Printing	58	-	845	9,331	8	10,242
Professional fees	50,969	7,114	15,824	5,708	27,670	107,285
Program acquisition	20,828	-	-	-	-	20,828
Promotions	-	-	951	8,113	-	9,064
Rent	34,180	19,400	1,294	16,316	13,081	84,271
Repairs and maintenance	-	3,054	-	-	167	3,221
Supplies	1,453	617	794	1,579	315	4,758
Telephone	4,116	5,147	742	1,890	841	12,736
Travel	-	858	109	166	-	1,133
Utilities	8,761	7,428	283	4,327	3,049	23,848
Volunteers recognition	-	-	-	3,129	-	3,129
Website	4,339	-	-	868	579	5,786
<b>Total expenditures</b>	<b>\$ 430,671</b>	<b>\$ 148,603</b>	<b>\$ 111,977</b>	<b>\$ 285,294</b>	<b>\$ 187,118</b>	<b>\$ 1,163,663</b>

The accompanying notes are an integral part of these financial statements.



NEVADA CITY COMMUNITY BROADCAST GROUP

STATEMENTS OF CASH FLOWS  
For the Years Ended September 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash received from donors and grantors	\$ 939,537	\$ 1,030,523
Other cash received	16,584	35,713
Cash paid to vendors and employees	<u>(1,004,345)</u>	<u>(1,260,934)</u>
Net cash used in operating activities	<u>(48,224)</u>	<u>(194,698)</u>
Cash flows from investing activities:		
Cash paid for purchase of property and equipment	(1,001,347)	(1,792,810)
Change in restricted cash	<u>(198,768)</u>	<u>223,230</u>
Net cash used in investing activities	<u>(1,200,115)</u>	<u>(1,569,580)</u>
Cash flows from financing activities:		
Net proceeds from draws on line of credit	3,289	1,425,908
Proceeds from issuance of note payable	732,591	-
Donations restricted for long-term purposes	<u>498,979</u>	<u>314,739</u>
Net cash provided by financing activities	<u>1,234,859</u>	<u>1,740,647</u>
Change in cash and cash equivalents	(13,480)	(23,631)
Cash and cash equivalents, beginning of year	<u>449,425</u>	<u>473,056</u>
Cash and cash equivalents, end of year	<u>\$ 435,945</u>	<u>\$ 449,425</u>
Reconciliation of the change in net assets to net <u>cash provided by operating activities:</u>		
Change in net assets	\$ 438,818	\$ 312,604
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation	74,543	24,069
Loss on disposition	2,853	-
Donated services	(34,301)	(52,213)
Contributions restricted for purchase of property and equipment	(498,979)	(314,739)
Change in operating assets and liabilities:		
Accounts receivable, net	(13,293)	(32,690)
Prepaid expenses and other assets	(145,790)	841
Accounts payable	(5,526)	(641)
Accrued compensated absences	(8,657)	61
Accrued payroll	1,061	1,146
Accrued expenses	(18,631)	(160,075)
Deferred revenue	<u>159,678</u>	<u>26,939</u>
Net cash used in operating activities	<u>\$ (48,224)</u>	<u>\$ (194,698)</u>
<u>Supplemental schedule of non-cash investing activities:</u>		
Accrual for purchase of capital asset	<u>\$ 320,359</u>	<u>\$ 500,805</u>
Donated services capitalized in property and equipment	<u>\$ 34,301</u>	<u>\$ 52,213</u>
Interest paid	<u>\$ 41,302</u>	<u>\$ -</u>

The accompanying notes are an integral part  
of these financial statements.

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015 and 2014

NOTE 1: ORGANIZATION

Nevada City Community Broadcast Group (the "Company") is a non-profit organization formed under the nonprofit public benefit corporation law for charitable purposes. The specific purpose of this company is to promote a vibrant community that is well informed and involved, that embraces diversity, and that respectfully shares opinions and fosters economic and social justice. The Company builds community by bringing people together to celebrate the music of the world and give voice to the community. The Company is supported primarily through contributions, grants awarded, membership support, and underwriting revenue. The Company broadcasts in California under the call letters KVMR at 89.5 FM from Nevada City and simulcasts at 105.1 Truckee, 104.7 Woodland, and 88.3 Camino; and streams live at [www.kvmr.org](http://www.kvmr.org).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Basis of Accounting

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

Basis of Presentation

The Company presents its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 205, *Not-for-profit Entities – Presentation of Financial Statements* (FASB ASC 958-205). Under FASB ASC 958-205, the Company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. In addition, the Company is required to present a statement of cash flows. Accordingly, net assets of the Company and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Company and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

*Permanently Restricted Net Assets* – Net Assets subject to donor-imposed stipulations that must be maintained permanently by the Company. Generally, the donors of these assets permit the Company to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets as of September 30, 2015 and 2014.

Revenue Recognition

In accordance with the provisions of FASB ASC 958-605, *Not-for-Profit – Revenue Recognition*, unconditional contributions are generally recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Intentions to give are recognized when the cash is received. The receivables for the remaining payments and the corresponding revenue are recognized concurrently.

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less and money market funds to be cash equivalents.

Concentration of Credit Risk

The Company maintains its cash and cash equivalents in multiple bank deposit accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per financial institution. As of September 30, 2015 and 2014, the Company maintained a cash equivalent account totaling \$51,650 which is not FDIC insured but is protected by the Securities Investor Protection Corporation (SIPC). SIPC coverage is \$500,000 with a maximum limit on cash claims of \$250,000. At September 30, 2015, the Company's uninsured cash balances totaled \$233,137. At September 30, 2014, the Company's uninsured cash balances totaled \$46,414. The Company has not experienced losses in such accounts and believes it is not exposed to a significant credit risk on cash.

Property and Equipment

Property and equipment in excess of \$500 are capitalized and are stated at cost or, if donated, at fair market value when it is received. The Company provides for depreciation over the estimated useful lives of the assets using the straight-line method. The estimated lives of these assets range from 5 to 39 years. Maintenance and repairs are charged to expense as incurred. Renewals and betterments which extend the useful lives of assets are capitalized.

Donated Services, Supplies and Materials

Donated services are recognized as contributions in accordance with FASB ASC 958-605, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Company.

Donated supplies and materials are reported as contributions and measured at their estimated fair market values as of the date of receipt.

Income Taxes

The Company is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and under section 23701d of the California Revenue and Taxation Code, except as they may be levied for unrelated business income. After they are filed, the Company's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affects certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Advertising Expenses

The Company uses advertising to promote its programs and fundraising events and the costs of the advertising are expensed as incurred. Advertising expenses total \$18,360 and \$38,367, as of September 30, 2015 and 2014, respectively.

Functional Expenses

The cost of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

Subsequent Events

Events and transactions have been evaluated or potential recognitions or disclosure through February 24, 2016, the date that these financial statements were available to be issued.

NOTE 3: RESTRICTED CASH

Cash restricted for operating purposes included within cash and cash equivalents in current assets consists of the following at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Restricted - Corporation for Public Broadcasting	\$ 38,399	\$ 39,260
Restricted - Other	<u>5,670</u>	<u>622</u>
	44,069	39,822
Unrestricted	<u>391,876</u>	<u>409,543</u>
Total	<u>\$ 435,945</u>	<u>\$ 449,425</u>

Cash restricted for long term purposes included within noncurrent assets consists of the following at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Capital campaign funds	\$ 327,873	\$ 129,105
Equipment replacement and purchase fund	<u>1,750</u>	<u>1,750</u>
Total	<u>\$ 329,623</u>	<u>\$ 130,855</u>

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Underwriting receivables - contract balance	\$ 112,834	\$ 87,924
Trade receivables	25,744	27,928
Underwriting receivables	11,951	23,238
Other receivables	1,291	1,183
Reserve for doubtful accounts	<u>(1,124)</u>	<u>(2,870)</u>
Total accounts receivable	<u>\$ 150,696</u>	<u>\$ 137,403</u>

The reserve for doubtful accounts reduces the carrying amount of trade receivables and reflects Management's best estimate of the amounts that will not be collected. Each customer balance is individually reviewed when all or a portion of the balance exceeds 90 days from the invoice date.

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015 and 2014

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Furniture and fixtures	\$ 1,026	\$ 1,026
Equipment – operating	446,552	409,567
Equipment – CPB	105,657	105,657
Building	3,822,747	-
Assets in process	<u>-</u>	<u>3,082,206</u>
	4,375,982	3,598,456
Less accumulated depreciation	<u>415,240</u>	<u>415,520</u>
Property and equipment, net	<u>\$ 3,960,742</u>	<u>\$ 3,182,936</u>

Depreciation expense totaled \$74,543 and \$24,069 for the years ended September 30, 2015 and 2014, respectively.

In 2013, representatives of the Company and the Nevada Theatre Commission (NTC) created the Bridge Street Trust (the "Trust"). The purpose of the Trust is to hold title to the properties described below for the long-term and continuous use and immediate benefit of the Company and NTC. The Board of Trustees of the Trust is appointed in equal numbers by the Boards of the Company and NTC.

Subsequently, NTC established title in the name of the Trust for certain real property comprising the Nevada Theatre building, the Ice Depot, the underlying land of those two buildings, and the land at 120 Bridge Street, Nevada City, California, upon which the Company constructed a new building. The new building includes approximately 6,604 square feet of space for the Company's use and 1,560 square feet of space for NTC's use. During 2014 and 2015, the Company funded construction of the building through line of credit and note advances of \$2,176,286 and capital campaign donations of \$1,646,461.

During 2015, construction was completed and the Company established title in the name of the Trust for the building. The Company and NTC began occupying the building during 2015 in accordance with the terms of lease agreements with the Trust, which provide for rents of \$1 per year for a term of 99 years.

Due to the fact that the Company retains its rights to the building and its obligations under the related debt, the costs to construct the building, totaling \$3,822,747, have been capitalized in the accompanying financial statements and will be depreciated over the estimated useful life of the building.

NOTE 6: NOTE PAYABLE

In October of 2014, the Company secured a promissory note with an individual in an amount not to exceed \$1,150,000 to fund the construction of the new building located at 120 Bridge Street, Nevada City, California. This note bears interest at the rate of 5% per annum and was originally due and payable in full, together with any unpaid interest, on November 1, 2015. Interest only payments are due and payable on the first day of each month beginning on November 1, 2014. On September 30, 2015, the balance on this loan was \$732,591. The Company and the lender have amended the due date to November 1, 2016.

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015 and 2014

NOTE 6: NOTE PAYABLE (CONTINUED)

In late November 2015, KVMR launched a Bridge to a Million fundraising campaign to pay off this loan and a portion of the line of credit (NOTE 7) by November 1, 2016. As of January 31, 2016, this campaign had raised pledges and payments totaling approximately 30% of the goal.

NOTE 7: LINE OF CREDIT

The Company has a \$1,500,000 line of credit with an individual which is secured by equipment, furnishings and other tangible assets. Advances on this line of credit bear interest at a rate equal to one month LIBOR + 2.00% with monthly payments of at least \$6,000 per month beginning the month following completion of the improvements the Company is making to the Bridge Street Trust property in Nevada City. On October 31, 2020, any remaining principal and accrued interest outstanding on the line of credit becomes due and payable. The balance due on the line of credit at September 30, 2015 and 2014, was \$1,429,197 and \$1,425,908, respectively. The Company and the lender have subsequently amended the loan terms and reduced the required debt service due such that monthly payments on the line of credit shall be equal to interest accrued in the preceding month.

NOTE 8: DEFERRED INCOME

Deferred income consisted of the following as of September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Deferred income – Celtic Festival	\$ 138,655	\$ -
Deferred underwriting - contract balance	112,834	87,923
Trade deferred income	25,744	27,928
Deferred underwriting	7,334	7,638
Other deferred income	-	1,400
	<u>          </u>	<u>          </u>
Total deferred income	<u>\$ 284,567</u>	<u>\$ 124,889</u>

Deferred income consists of underwriting and trade income contracted amounts for which the services have not yet been rendered.

The deferred income amounts that relate to remaining contract balances on underwriting and trade contracts are offset by the amounts recorded for the contracted amounts recorded as receivable. The Company will not record the related asset and a corresponding liability until the revenue is earned.

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2015 and 2014 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Capital campaign funds	\$ 327,873	\$ 129,105
Corporation for Public Broadcasting	38,399	39,260
Equipment replacement and purchase fund	1,750	1,750
Other	5,670	622
	<u>          </u>	<u>          </u>
Total	<u>\$ 373,692</u>	<u>\$ 170,737</u>

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 9: TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Activity within temporarily restricted net assets consisted of the following for the years ended September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Beginning balance of temporarily restricted net assets	\$ 170,737	\$ 391,157
Net assets temporarily restricted for capital campaign	489,439	308,550
Net assets temporarily restricted by the Corporation for Public Broadcasting	38,399	39,260
Net assets temporarily restricted for equipment replacement and purchase	3,700	1,250
Net assets temporarily restricted for other	5,840	5,439
Net assets released from restriction by qualifying expenditures	<u>(334,423)</u>	<u>(574,919)</u>
Ending balance of temporarily restricted net assets	<u>\$ 373,692</u>	<u>\$ 170,737</u>

NOTE 10: DONATED SERVICES, MATERIALS, AND EQUIPMENT

Donated services, materials and equipment consisted of the following for the years ended September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Donated services from various professionals and advertisers	\$ 247,123	\$ 264,576
Other donated materials and equipment	<u>31,867</u>	<u>26,445</u>
Total in-kind support	<u>\$ 278,990</u>	<u>\$ 291,021</u>

In each year, donated services included the fair value of 8,604 hours of volunteer air talent broadcaster services. The fair value of these donated services was determined based on CPB salary study average median wages for the three years preceding each fiscal year. Amounts for the years ended September 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Average CPB salary study wage median for three preceding years	\$ 33,057	\$ 32,725
Value of donated volunteer air talent broadcaster services	\$ 136,742	\$ 135,367

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 11: OPERATING LEASES

Rent Expense

On March 6, 2013, the Company entered into a six month lease agreement on a facility for housing and operating an FM transmission system in Esparto, California. The terms of the lease were \$375 per month. On September 6, 2013 the contract was renewed at \$475 per month for one year with the option to renew under the same terms for up to five successive years. Either party may terminate this agreement without cause by providing 60 days written notice. The minimum rents paid under this lease agreement totaled \$5,700 for each of the years ended September 30, 2015 and 2014.

On May 1, 2013, the Company entered into a five year lease agreement on a facility for housing and operating an FM transmission system in Camino, California. The terms of the lease are \$150 per month for the first six months thereafter the monthly rent shall be \$300 per month. Either party may terminate this agreement without cause by providing six months written notice. The minimum rents paid under this lease agreement totaled \$3,600 and \$3,450 for the years ended September 30, 2015 and 2014, respectively.

Total rent expense for September 30, 2015 and 2014 was \$45,900 and \$79,991, respectively.

Rental Income

The Company sub-leases certain real properties to tenants under operating leases with terms of two years. Rental income on real properties sub-leased to others totaled \$5,247 and \$4,847, respectively, for the years ended September 30, 2015 and 2014.

Future minimum income at September 30, 2015, under agreements classified as operating leases with noncancelable terms are as follows:

<u>Year Ending September 30:</u>	<u>Income</u>
2016	<u>\$ 5,097</u>

NOTE 12: RELATED PARTY TRANSACTIONS

A Director of the Company is also the owner of Auran Integrated Design and Construction, a consulting firm providing Owner's Representative Services that was paid \$34,299 and \$52,213 for the years ended September 30, 2015 and 2014, respectively.