

NEVADA CITY COMMUNITY BROADCAST GROUP

FINANCIAL STATEMENTS
September 30, 2016 and 2015

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 "Station"), a non-profit organization, which comprise the statements of financial position as of September 30, 2016 and 2015, 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 Station'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, 2016 and 2015, 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

January 23, 2017
Roseville, California

NEVADA CITY COMMUNITY BROADCAST GROUP

STATEMENTS OF FINANCIAL POSITION
For the Years Ended September 30, 2016 and 2015

	ASSETS	
	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 537,707	\$ 435,945
Accounts receivable, net	172,395	150,696
Prepaid expenses and other assets	<u>184,086</u>	<u>152,836</u>
Total current assets	894,188	739,477
Restricted cash	71,410	329,623
Other assets	3,000	3,000
Property and equipment, net	<u>3,847,113</u>	<u>3,960,742</u>
Total assets	<u>\$ 4,815,711</u>	<u>\$ 5,032,842</u>
	LIABILITIES AND NET ASSETS	
Current liabilities:		
Accounts payable	\$ 10,275	\$ 26,269
Accrued compensated absences	18,290	17,464
Accrued payroll	6,984	3,747
Accrued expenses	71,512	327,374
Deferred income	<u>354,140</u>	<u>284,567</u>
Total current liabilities	461,201	659,421
Note payable	323,614	732,591
Loan	<u>1,429,969</u>	<u>1,429,197</u>
Total liabilities	2,214,784	2,821,209
Net assets:		
Unrestricted	2,484,939	1,837,941
Temporarily restricted	<u>115,988</u>	<u>373,692</u>
Total net assets	2,600,927	2,211,633
Total liabilities and net assets	<u>\$ 4,815,711</u>	<u>\$ 5,032,842</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, 2016 and 2015

	Unrestricted	Temporarily Restricted	2016 Total
Revenue and support:			
Contributions	\$ -	\$ 378,117	\$ 378,117
In-kind support	237,444	-	237,444
Government grants	135,524	38,908	174,432
Underwriting	335,427	-	335,427
Rent	6,306	-	6,306
Membership	335,623	-	335,623
Interest income	2,065	-	2,065
Other revenue	32,142	-	32,142
Net assets released from restriction	674,729	(674,729)	-
Revenue and support	<u>1,759,260</u>	<u>(257,704)</u>	<u>1,501,556</u>
Special events revenue	289,893	-	289,893
Special events expenses	<u>(203,940)</u>	<u>-</u>	<u>(203,940)</u>
Special events, net	<u>85,953</u>	<u>-</u>	<u>85,953</u>
Total revenue and support and special events	<u>1,845,213</u>	<u>(257,704)</u>	<u>1,587,509</u>
Expenditures:			
Programs:			
Programming	482,481	-	482,481
Broadcasting	158,113	-	158,113
Program information and promotion	120,136	-	120,136
Support:			
Membership and fundraising	302,243	-	302,243
Management and general	<u>135,242</u>	<u>-</u>	<u>135,242</u>
Total expenditures	<u>1,198,215</u>	<u>-</u>	<u>1,198,215</u>
Change in net assets	646,998	(257,704)	389,294
Net assets, beginning of year	<u>1,837,941</u>	<u>373,692</u>	<u>2,211,633</u>
Net assets, end of year	<u>\$ 2,484,939</u>	<u>\$ 115,988</u>	<u>\$ 2,600,927</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, 2016 and 2015

	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)	-
	<u>1,409,986</u>	<u>202,955</u>	<u>1,612,941</u>
Revenue and support			
Special events revenue	9,065	-	9,065
Special events expenses	(1,549)	-	(1,549)
	<u>7,516</u>	<u>-</u>	<u>7,516</u>
Special events, net			
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
	<u>1,181,639</u>	<u>-</u>	<u>1,181,639</u>
Total expenditures			
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 FUNCTIONAL EXPENSES
For the Years Ended September 30, 2016 and 2015

	Programming	Broadcasting	Program Information and Promotion	Membership and Fundraising	Management and General	2016 Total
Advertising	\$ -	\$ -	\$ 12,913	\$ -	\$ -	\$ 12,913
Bank fees	63	-	778	7,131	477	8,449
Commissions	-	-	21,831	21,943	-	43,774
Computer	2,353	360	748	5,541	1,266	10,268
Conferences and training	3,358	1,197	1,556	3,606	917	10,634
Depreciation	46,830	42,049	3,436	12,035	6,151	110,501
Donor recognition	-	-	500	507	-	1,007
Dues and subscriptions	2,967	220	2,340	1,050	1,314	7,891
Equipment	-	4,519	-	-	-	4,519
Equipment rental	36	129	1,746	1,263	830	4,004
Fees and permits	93	-	19	1,674	1,425	3,211
In-kind	159,337	5,251	18,936	34,495	19,425	237,444
Insurance	4,460	5,119	125	437	6,107	16,248
Interest	37,346	6,382	2,740	9,598	4,905	60,971
Miscellaneous	1,057	132	1,550	3,009	1,557	7,305
Personnel	121,502	64,234	43,884	164,539	41,846	436,005
Postage	4	208	73	7,606	-	7,891
Printing	224	-	698	6,194	154	7,270
Professional fees	49,488	1,898	1,252	4,098	44,794	101,530
Program acquisition	23,888	-	-	-	-	23,888
Promotions	-	-	2,770	6,899	-	9,669
Rent	3,409	10,037	16	55	943	14,460
Repairs and maintenance	2,817	481	207	724	370	4,599
Supplies	1,913	1,108	401	3,744	105	7,271
Telephone	2,518	4,681	485	1,452	178	9,314
Travel	-	866	-	-	-	866
Utilities	15,432	9,242	1,132	3,966	2,027	31,799
Website	3,386	-	-	677	451	4,514
Total expenditures	\$ 482,481	\$ 158,113	\$ 120,136	\$ 302,243	\$ 135,242	\$ 1,198,215

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, 2016 and 2015

	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
Total expenditures	\$ 454,454	\$ 175,075	\$ 90,303	\$ 295,979	\$ 165,828	\$ 1,181,639

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, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from donors and grantors	\$ 899,903	\$ 945,377
Other cash received	330,406	16,584
Cash paid to vendors and employees	(1,094,925)	(1,004,345)
Net cash provided by (used in) operating activities	135,384	(42,384)
Cash flows from investing activities:		
Cash paid for purchase of property and equipment	(259,662)	(1,001,347)
Proceeds from disposal of fixed assets	4,462	-
Change in restricted cash	258,213	(198,768)
Net cash provided by (used in) investing activities	3,013	(1,200,115)
Cash flows from financing activities:		
Net proceeds from draws on loan	772	3,289
Proceeds from issuance of note payable	-	732,591
Principal payments on capital lease obligation	(408,977)	-
Donations restricted for long-term purposes	371,570	493,139
Net cash provided by (used in) financing activities	(36,635)	1,229,019
Change in cash and cash equivalents	101,762	(13,480)
Cash and cash equivalents, beginning of year	435,945	449,425
Cash and cash equivalents, end of year	\$ 537,707	\$ 435,945
Reconciliation of the change in net assets to net <u>cash provided by operating activities:</u>		
Change in net assets	\$ 389,294	\$ 438,818
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation	110,501	74,543
Loss on disposition	-	2,853
Donated services	-	(34,301)
Contributions restricted for purchase of property and equipment	(371,570)	(493,139)
Change in operating assets and liabilities:		
Accounts receivable, net	(21,699)	(13,293)
Prepaid expenses and other assets	(31,250)	(145,790)
Accounts payable	(15,994)	(5,526)
Accrued compensated absences	826	(8,657)
Accrued payroll	3,237	1,061
Accrued expenses	2,466	(18,631)
Deferred revenue	69,573	159,678
Net cash provided by (used in) operating activities	\$ 135,384	\$ (42,384)
<u>Supplemental schedule of non-cash investing activities:</u>		
Accrual for purchase of capital asset	\$ -	\$ 320,359
Donated services capitalized in property and equipment	\$ -	\$ 34,301
Interest paid	\$ 59,622	\$ 41,302

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

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 1: ORGANIZATION

Nevada City Community Broadcast Group (the "Station") is a non-profit organization formed under the nonprofit public benefit corporation law for charitable purposes. Its purpose is to provide community members opportunities to connect through the development and production of music, news, and public affairs programs that entertain, inform, and educate. The Station gives voice to the community and celebrates the music of the world. The Station is supported primarily through contributions, grants awarded, membership support, and underwriting revenue. The Station 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

The Station 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 Station 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 Station is required to present a statement of cash flows. Accordingly, net assets of the Station 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 Station 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 Station. Generally, the donors of these assets permit the Station 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, 2016 and 2015.

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 or 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, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Station 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 Station 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, 2016 and 2015, the Station 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, 2016, there was no uninsured cash balances. At September 30, 2015, the Station's uninsured cash balances totaled \$233,137. The Station 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 Station 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 Station.

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 Station 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 Station'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 Station uses advertising to promote its programs and fundraising events and the costs of the advertising are expensed as incurred. Advertising expenses totaled \$33,151 and \$18,360, as of September 30, 2016 and 2015, 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, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified, with no effect on net assets, to conform to the 2016 financial statement presentation.

Subsequent Events

Events and transactions have been evaluated or potential recognitions or disclosure through January 23, 2017, 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Restricted - Corporation for Public Broadcasting	\$ 38,908	\$ 38,399
Restricted - Other	5,670	5,670
	<u>44,578</u>	<u>44,069</u>
Unrestricted	<u>493,129</u>	<u>391,876</u>
Total	<u>\$ 537,707</u>	<u>\$ 435,945</u>

Cash restricted for long term purposes included within noncurrent assets consists of the following at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Capital campaign funds	\$ 69,660	\$ 327,873
Equipment replacement and purchase fund	1,750	1,750
Total	<u>\$ 71,410</u>	<u>\$ 329,623</u>

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Underwriting receivables - contract balance	\$ 120,402	\$ 112,834
Trade receivables	31,485	25,744
Underwriting receivables	21,433	11,951
Other receivables	199	1,291
Reserve for doubtful accounts	<u>(1,124)</u>	<u>(1,124)</u>
Total accounts receivable	<u>\$ 172,395</u>	<u>\$ 150,696</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, 2016 and 2015

NOTE 5: PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consisted of the following as of September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Prepaid expenses – Celtic Festival	\$ 174,870	\$ 144,659
Prepaid expenses – Other	7,931	7,755
Broadcasting licenses	3,000	3,000
Other assets	<u>1,285</u>	<u>422</u>
Total prepaid expenses and other assets	<u>\$ 187,086</u>	<u>\$ 155,836</u>

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Furniture and fixtures	\$ 1,026	\$ 1,026
Equipment - operating	443,424	446,552
Equipment - CPB	105,657	105,657
Building	<u>3,822,747</u>	<u>3,822,747</u>
	4,372,854	4,375,982
Less accumulated depreciation	<u>525,741</u>	<u>415,240</u>
Property and equipment, net	<u>\$ 3,847,113</u>	<u>\$ 3,960,742</u>

Depreciation expense totaled \$110,501 and \$74,543 for the years ended September 30, 2016 and 2015, respectively.

In 2013, representatives of the Station 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 Station and NTC. The Board of Trustees of the Trust is appointed in equal numbers by the Boards of the Station 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 Station constructed a new building. The new building includes approximately 6,604 square feet of space for the Station's use and 1,560 square feet of space for NTC's use. During 2014 and 2015, the Station 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 Station established title in the name of the Trust for the building. The Station 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.

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 6: PROPERTY AND EQUIPMENT (CONTINUED)

Due to the fact that the Station 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.

In early 2016, the Bridge Street Trust separated its real property into two parcels, one containing the property constructed at 120 Bridge Street and the other containing the historic Nevada Theatre. The Trust recorded an easement in October, 2016, granting access to the "backstage" area of the Bridge Street property to the Theatre, and granting certain other access rights and restrictions to meet the conditions of the local building authority for the parcel split.

On October 28, 2016, the Trust voted to transfer title to the Bridge Street parcel, subject to the easement, to KVMR, and to transfer title to the Theatre parcel to the Nevada Theatre Commission. Completion of this action will require the approval of the California Attorney General. The Trust is presently awaiting that approval and expects to complete the transfers in early 2017. KVMR and the Nevada Theatre will enter into a facilities sharing and use agreement to address the two organizations' relative rights and responsibilities with respect to the property that is subject to the easement.

NOTE 7: NOTE PAYABLE

In October of 2014, the Station 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, 2016 and 2015, the balance on this loan was \$323,614 and \$732,591, respectively. The Station and the lender have amended the due date to November 1, 2017.

NOTE 8: LOAN

The Station 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 Station 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, 2016 and 2015, was \$1,429,969 and \$1,429,197, respectively. The Station 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.

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 9: DEFERRED INCOME

Deferred income consisted of the following as of September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Deferred income - Celtic Festival	\$ 185,235	\$ 138,655
Deferred underwriting - contract balance	120,402	112,834
Trade deferred income	31,485	25,744
Deferred underwriting	14,018	7,334
Other deferred income	<u>3,000</u>	<u>-</u>
Total deferred income	<u>\$ 354,140</u>	<u>\$ 284,567</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.

NOTE 10: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Capital campaign funds	\$ 69,660	\$ 327,873
Corporation for Public Broadcasting	38,908	38,399
Equipment replacement and purchase fund	1,750	1,750
Other	<u>5,670</u>	<u>5,670</u>
Total	<u>\$ 115,988</u>	<u>\$ 373,692</u>

Activity within temporarily restricted net assets consisted of the following for the years ended September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Beginning balance of temporarily restricted net assets	\$ 373,692	\$ 170,737
Net assets temporarily restricted for capital campaign	371,570	489,439
Net assets temporarily restricted by the Corporation for Public Broadcasting	38,908	38,399
Net assets temporarily restricted for equipment replacement and purchase	-	3,700
Net assets temporarily restricted for other	6,547	5,840
Net assets released from restriction by qualifying expenditures	<u>(674,729)</u>	<u>(334,423)</u>
Ending balance of temporarily restricted net assets	<u>\$ 115,988</u>	<u>\$ 373,692</u>

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11: DONATED SERVICES, MATERIALS, AND EQUIPMENT

Donated services, materials and equipment consisted of the following for the years ended September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Donated on-air talent	\$ 143,760	\$ 136,742
Other donated services	58,893	110,381
Donated materials and equipment	<u>34,791</u>	<u>31,867</u>
Total in-kind support	<u>\$ 237,444</u>	<u>\$ 278,990</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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Average CPB salary study wage median for three preceding years	\$ 34,754	\$ 33,057
Value of donated volunteer air talent broadcaster services	\$ 143,760	\$ 136,742

NOTE 12: OPERATING LEASES

Rent Expense

On March 6, 2013, the Station 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, 2016 and 2015. The Station terminated this lease at September 30, 2016.

On May 1, 2013, the Station 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 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 for each of the years ended September 30, 2016 and 2015.

On July 26, 2016, the Station entered into a five-year lease agreement on a facility for housing and operating an FM transmission system in Woodland, California. The terms of the lease are \$350 per month thereafter the rent shall be \$450 per month beginning August 1, 2017. Either party may terminate this agreement with cause by providing 30 days written notice. The minimum rents paid under this lease agreement totaled \$700 for the year ended September 30, 2016.

Total rent expense for September 30, 2016 and 2015 was \$14,460 and \$45,900, respectively.

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NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016 and 2015

NOTE 12: OPERATING LEASES (CONTINUED)

Rental Income

The Station 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 \$6,306 and \$5,247, respectively, for the years ended September 30, 2016 and 2015.

Future minimum income at September 30, 2016, under agreements classified as operating leases with noncancelable terms are as follows:

<u>Year Ending September 30:</u>	<u>Income</u>
2017	\$ 5,250
2018	<u>5,250</u>
Total	<u>\$ 10,500</u>

NOTE 13: RELATED PARTY TRANSACTIONS

A Director of the Station is also the owner of Auran Integrated Design and Construction, a consulting firm providing Owner's Representative Services that totaled \$34,299 for the year ended September 30, 2015. No services were provided by this consulting firm for the year ended September 30, 2016.