

**NEVADA CITY COMMUNITY BROADCAST GROUP**

**FINANCIAL STATEMENTS**  
**September 30, 2017 and 2016**

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, 2017 and 2016, 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, 2017 and 2016, 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 15, 2018  
Roseville, California

NEVADA CITY COMMUNITY BROADCAST GROUP

STATEMENTS OF FINANCIAL POSITION  
For the Years Ended September 30, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 778,908	\$ 537,707
Accounts receivable, net	183,402	172,395
Prepaid expenses and other assets	<u>102,120</u>	<u>184,086</u>
Total current assets	1,064,430	894,188
Restricted cash	27,739	71,410
Other assets	3,000	3,000
Property and equipment, net	<u>3,710,127</u>	<u>3,847,113</u>
Total assets	<u>\$ 4,805,296</u>	<u>\$ 4,815,711</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 12,805	\$ 10,275
Accrued compensated absences	20,147	18,290
Accrued payroll	7,505	6,984
Accrued expenses	7,220	71,512
Deferred income	<u>375,588</u>	<u>354,140</u>
Total current liabilities	<u>423,265</u>	<u>461,201</u>
Note payable	202,291	323,614
Loan	<u>1,431,702</u>	<u>1,429,969</u>
Total liabilities	<u>2,057,258</u>	<u>2,214,784</u>
Net assets:		
Unrestricted	2,672,299	2,484,939
Temporarily restricted	<u>75,739</u>	<u>115,988</u>
Total net assets	<u>2,748,038</u>	<u>2,600,927</u>
Total liabilities and net assets	<u>\$ 4,805,296</u>	<u>\$ 4,815,711</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, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>
Revenue and support:			
Contributions	\$ -	\$ 34,175	\$ 34,175
In-kind support	268,017	-	268,017
Government grants	143,572	46,581	190,153
Underwriting	338,664	-	338,664
Rent	8,038	-	8,038
Membership	372,777	-	372,777
Interest income	2,519	-	2,519
Other revenue	93,943	-	93,943
Net assets released from restriction	121,005	(121,005)	-
	<u>1,348,535</u>	<u>(40,249)</u>	<u>1,308,286</u>
Revenue and support			
Special events revenue	318,103	-	318,103
Special events expenses	(225,909)	-	(225,909)
	<u>92,194</u>	<u>-</u>	<u>92,194</u>
Special events, net			
Total revenue and support and special events	<u>1,440,729</u>	<u>(40,249)</u>	<u>1,400,480</u>
Expenditures:			
Programs:			
Programming	498,257	-	498,257
Broadcasting	178,002	-	178,002
Program information and promotion	158,292	-	158,292
Support:			
Membership and fundraising	292,716	-	292,716
Management and general	126,102	-	126,102
	<u>1,253,369</u>	<u>-</u>	<u>1,253,369</u>
Total expenditures			
Change in net assets	187,360	(40,249)	147,111
Net assets, beginning of year	<u>2,484,939</u>	<u>115,988</u>	<u>2,600,927</u>
Net assets, end of year	<u>\$ 2,672,299</u>	<u>\$ 75,739</u>	<u>\$ 2,748,038</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, 2017 and 2016

	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)	-
	<u>1,759,260</u>	<u>(257,704)</u>	<u>1,501,556</u>
Revenue and support			
Special events revenue	289,893	-	289,893
Special events expenses	(203,940)	-	(203,940)
	<u>85,953</u>	<u>-</u>	<u>85,953</u>
Special events, net			
	<u>1,845,213</u>	<u>(257,704)</u>	<u>1,587,509</u>
Total revenue and support and special events			
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	135,242	-	135,242
	<u>1,198,215</u>	<u>-</u>	<u>1,198,215</u>
Total expenditures			
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 FUNCTIONAL EXPENSES  
For the Years Ended September 30, 2017 and 2016

	Programming	Broadcasting	Program Information and Promotion	Membership and Fundraising	Management and General	2017 Total
Advertising	\$ -	\$ -	\$ 11,312	\$ -	\$ -	\$ 11,312
Bank fees	46	-	891	7,863	471	9,271
Commissions	-	-	22,800	22,515	-	45,315
Computer	1,155	1,354	569	596	6,297	9,971
Conferences and training	3,488	-	2,257	2,541	852	9,138
Depreciation	46,450	41,912	3,408	11,938	6,101	109,809
Donor recognition	-	-	512	795	-	1,307
Dues and subscriptions	3,214	220	2,934	896	1,475	8,739
Equipment	-	8,004	-	-	-	8,004
Equipment rental	477	150	323	1,473	407	2,830
Fees and permits	77	-	50	231	771	1,129
In-kind	152,875	6,920	52,777	32,125	23,320	268,017
Insurance	4,506	5,489	128	450	6,552	17,125
Interest	33,612	5,744	2,466	8,638	4,415	54,875
Miscellaneous	1,033	-	1,261	2,545	785	5,624
Personnel	135,682	70,898	45,364	168,049	43,916	463,909
Postage	5	118	63	6,030	-	6,216
Printing	1,140	-	3,413	4,173	112	8,838
Professional fees	57,991	7,794	1,904	2,501	25,892	96,082
Program acquisition	24,999	-	-	-	-	24,999
Promotions	-	-	2,589	9,260	-	11,849
Rent	3,801	8,102	287	80	955	13,225
Repairs and maintenance	3,241	3,392	238	833	426	8,130
Supplies	2,289	1,064	1,053	2,956	356	7,718
Telephone	2,071	5,134	399	1,185	351	9,140
Travel	-	1,490	73	73	-	1,636
Utilities	16,650	10,217	1,221	4,279	2,187	34,554
Website	3,455	-	-	691	461	4,607
<b>Total expenditures</b>	<b>\$ 498,257</b>	<b>\$ 178,002</b>	<b>\$ 158,292</b>	<b>\$ 292,716</b>	<b>\$ 126,102</b>	<b>\$ 1,253,369</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, 2017 and 2016

	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
<b>Total expenditures</b>	<b>\$ 482,481</b>	<b>\$ 158,113</b>	<b>\$ 120,136</b>	<b>\$ 302,243</b>	<b>\$ 135,242</b>	<b>\$ 1,198,215</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, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received from donors and grantors	\$ 918,835	\$ 899,903
Cash received from special events	318,103	289,893
Other cash received	104,500	40,513
Cash paid to vendors and employees	(1,047,852)	(1,094,925)
Net cash provided by operating activities	293,586	135,384
Cash flows from investing activities:		
Cash paid for purchase of property and equipment	(3,841)	(259,662)
Proceeds from disposal of fixed assets	-	4,462
Change in restricted cash	43,671	258,213
Net cash provided by investing activities	39,830	3,013
Cash flows from financing activities:		
Net proceeds from draws on loan	1,733	772
Principal payments on note payable	(121,323)	(408,977)
Donations restricted for long-term purposes	27,375	371,570
Net cash used in financing activities	(92,215)	(36,635)
Change in cash and cash equivalents	241,201	101,762
Cash and cash equivalents, beginning of year	537,707	435,945
Cash and cash equivalents, end of year	\$ 778,908	\$ 537,707
Reconciliation of the change in net assets to net <u>cash provided by operating activities:</u>		
Change in net assets	\$ 147,111	\$ 389,294
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	109,809	110,501
Contributions restricted for purchase of property and equipment	(27,375)	(371,570)
Change in operating assets and liabilities:		
Accounts receivable, net	(11,007)	(21,699)
Prepaid expenses and other assets	81,966	(31,250)
Accounts payable	2,530	(15,994)
Accrued compensated absences	1,857	826
Accrued payroll	521	3,237
Accrued expenses	(33,274)	2,466
Deferred income	21,448	69,573
Net cash provided by operating activities	\$ 293,586	\$ 135,384
<u>Supplemental schedule of non-cash investing activities:</u>		
Interest paid	\$ 55,381	\$ 59,622

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

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

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, 93.9 Woodland, 88.3 Camino and 99.5 Angels Camp; and streams live at [www.kvmr.org](http://www.kvmr.org) and [www.kvmrx.org](http://www.kvmrx.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, 2017 and 2016.

*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 FINANCIAL STATEMENTS

September 30, 2017 and 2016

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, 2017 and 2016, 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, 2017, the Station's uninsured cash balance totaled \$56,782. At September 30, 2016, there was no uninsured cash balance. 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 \$71,891 and \$33,151, as of September 30, 2017 and 2016, 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 FINANCIAL STATEMENTS  
September 30, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified, with no effect on net assets, to conform to the 2017 financial statement presentation.

Subsequent Events

Events and transactions have been evaluated or potential recognitions or disclosure through February 15, 2018, 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Restricted - Corporation for Public Broadcasting	\$ 42,081	\$ 38,908
Restricted - Other	5,920	5,670
	<u>48,001</u>	<u>44,578</u>
Unrestricted	<u>730,907</u>	<u>493,129</u>
Total	<u>\$ 778,908</u>	<u>\$ 537,707</u>

Cash restricted for long term purposes included within noncurrent assets consists of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Capital campaign funds	\$ 25,989	\$ 69,660
Equipment replacement and purchase fund	1,750	1,750
Total	<u>\$ 27,739</u>	<u>\$ 71,410</u>

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Underwriting receivables - contract balance	\$ 131,309	\$ 120,402
Trade receivables	29,563	31,485
Underwriting receivables	22,718	21,433
Other receivables	782	199
Reserve for doubtful accounts	<u>(970)</u>	<u>(1,124)</u>
Total accounts receivable	<u>\$ 183,402</u>	<u>\$ 172,395</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 FINANCIAL STATEMENTS  
September 30, 2017 and 2016

NOTE 5: PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consisted of the following as of September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Prepaid expenses - Celtic Festival	\$ 91,487	\$ 174,870
Prepaid expenses - Other	8,689	7,931
Broadcasting licenses	3,000	3,000
Other assets	<u>1,944</u>	<u>1,285</u>
Total prepaid expenses and other assets	<u>\$ 105,120</u>	<u>\$ 187,086</u>

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 1,026	\$ 1,026
Equipment - operating	447,264	443,424
Equipment - CPB	105,657	105,657
Building	<u>3,791,730</u>	<u>3,822,747</u>
	4,345,677	4,372,854
Less accumulated depreciation	<u>635,550</u>	<u>525,741</u>
Property and equipment, net	<u>\$ 3,710,127</u>	<u>\$ 3,847,113</u>

Depreciation expense totaled \$109,809 and \$110,501 for the years ended September 30, 2017 and 2016, 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 was 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 was 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 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 provided for rents of \$1 per year for a term of 99 years.

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

NOTE 6: PROPERTY AND EQUIPMENT (CONTINUED)

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 Station building parcel, subject to an easement, to the Station, and to transfer title to the Theatre building parcel to the Nevada Theatre Commission. As such, title was transferred to the two organizations in January 2017 and the Trust was subsequently dissolved. In November, 2017, the Station and NTC recorded a maintenance and facilities sharing agreement and easement, granting access to the "backstage" area of the Bridge Street property to the Theatre, and addressing 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, 2017 and 2016, the balance on this loan was \$202,291 and \$323,614, respectively. The Station and the lender have amended the due date to October 31, 2020.

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 equal to at least the interest accrual in the preceding month. 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, 2017 and 2016, was \$1,431,702 and \$1,429,969, respectively.

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO FINANCIAL STATEMENTS  
September 30, 2017 and 2016

NOTE 9: DEFERRED INCOME

Deferred income consisted of the following as of September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Deferred income - Celtic Festival	\$ 195,022	\$ 185,235
Deferred underwriting - contract balance	131,309	120,402
Trade deferred income	29,563	31,485
Deferred underwriting	13,012	14,018
Other deferred income	<u>6,682</u>	<u>3,000</u>
 Total deferred income	 <u>\$ 375,588</u>	 <u>\$ 354,140</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, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Capital campaign funds	\$ 25,989	\$ 69,660
Corporation for Public Broadcasting	42,081	38,908
Equipment replacement and purchase fund	1,750	1,750
Other	<u>5,919</u>	<u>5,670</u>
 Total	 <u>\$ 75,739</u>	 <u>\$ 115,988</u>

Activity within temporarily restricted net assets consisted of the following for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Beginning balance of temporarily restricted net assets	\$ 115,988	\$ 373,692
 Net assets temporarily restricted for capital campaign	 27,375	 371,570
 Net assets temporarily restricted by the Corporation for Public Broadcasting	 42,081	 38,908
 Net assets temporarily restricted for other	 11,300	 6,547
 Net assets released from restriction by qualifying expenditures	 <u>(121,005)</u>	 <u>(674,729)</u>
 Ending balance of temporarily restricted net assets	 <u>\$ 75,739</u>	 <u>\$ 115,988</u>

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NOTES TO 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Donated on-air talent	\$ 141,079	\$ 143,760
Other donated services	99,303	58,893
Donated materials and equipment	<u>27,634</u>	<u>34,791</u>
Total in-kind support	<u>\$ 268,016</u>	<u>\$ 237,444</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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Average CPB salary study wage median for three preceding years	\$ 34,106	\$ 34,754
Value of donated volunteer air talent broadcaster services	\$ 141,079	\$ 143,760

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. The minimum rents paid under this lease agreement totaled \$5,700 for the year ended September 30, 2016. 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, 2017 and 2016.

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 \$2,450 and \$700 for the years ended September 30, 2017 and 2016, respectively. The Station terminated this lease in April 2017.



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NOTE 12: OPERATING LEASES (CONTINUED)

Rent Expense (Continued)

On November 15, 2016, the Station entered into a five-year lease agreement on a facility for housing and operating an FM transmission system in Angels Camp, California. The terms of the lease are \$200 per month for the first year thereafter the rent shall increase annually by the rate of the National CPI. The tenant and the landlord may terminate this lease at any time given 30 and 90 days, respectively advance notice. The minimum rents paid under this lease agreement totaled \$2,000 for the year ended September 30, 2017.

Total rent expense for September 30, 2017 and 2016 was \$13,225 and \$14,460, respectively.

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 \$5,688 and \$5,097, respectively, for the years ended September 30, 2017 and 2016.

Future minimum income at September 30, 2017, under agreements classified as operating leases with noncancelable terms are as follows:

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