

NEVADA CITY COMMUNITY BROADCAST GROUP

FINANCIAL STATEMENTS
September 30, 2019 and 2018

NEVADA CITY COMMUNITY BROADCAST GROUP

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 16

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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Propp Christensen Caniglia LLP

March 27, 2020
Roseville, California

NEVADA CITY COMMUNITY BROADCAST GROUP

STATEMENTS OF FINANCIAL POSITION
For the Years Ended September 30, 2019 and 2018

		ASSETS	
		2019	2018
		<u> </u>	<u> </u>
Current assets:			
Cash and cash equivalents	\$	608,464	\$ 873,217
Accounts receivable, net		157,602	189,980
Prepaid expenses and other assets		<u>15,931</u>	<u>11,782</u>
Total current assets		781,997	1,074,979
Restricted cash		-	6,861
Other assets		34,461	27,360
Property and equipment, net		<u>3,543,261</u>	<u>3,607,159</u>
Total assets	\$	<u><u>4,359,719</u></u>	<u><u>\$ 4,716,359</u></u>
		LIABILITIES AND NET ASSETS	
Current liabilities:			
Accounts payable	\$	74,876	\$ 29,741
Accrued compensated absences		19,599	22,787
Accrued payroll		11,697	16,751
Accrued expenses		17,232	51,122
Deferred income		145,566	172,426
Mortgage payable, current portion		<u>25,200</u>	<u>-</u>
Total current liabilities		<u>294,170</u>	<u>292,827</u>
Long-term liabilities:			
Mortgage payable, less current portion		1,206,827	-
Loan		<u>-</u>	<u>1,413,957</u>
Total liabilities		<u>1,500,997</u>	<u>1,706,784</u>
Net assets:			
Without donor restrictions		2,818,778	2,957,186
With donor restrictions		<u>39,944</u>	<u>52,389</u>
Total net assets		<u>2,858,722</u>	<u>3,009,575</u>
Total liabilities and net assets	\$	<u><u>4,359,719</u></u>	<u><u>\$ 4,716,359</u></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, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Revenue and support:			
Contributions	\$ 81	\$ 40,727	\$ 40,808
In-kind support	246,180	-	246,180
Government grants	122,864	35,829	158,693
Underwriting	365,478	-	365,478
Rent	5,942	-	5,942
Membership	393,933	-	393,933
Interest income	8,435	1,079	9,514
Other revenue	27,859	-	27,859
Net assets released from restriction	90,080	(90,080)	-
	<u>1,260,852</u>	<u>(12,445)</u>	<u>1,248,407</u>
Revenue and support			
Special events revenue	297,759	-	297,759
Special events expenses	(239,654)	-	(239,654)
	<u>58,105</u>	<u>-</u>	<u>58,105</u>
Special events, net			
Total revenue and support and special events	<u>1,318,957</u>	<u>(12,445)</u>	<u>1,306,512</u>
Expenditures:			
Programs:			
Programming	582,856	-	582,856
Broadcasting	170,075	-	170,075
Program information and promotion	128,833	-	128,833
Support:			
Membership and fundraising	369,063	-	369,063
Management and general	206,538	-	206,538
	<u>1,457,365</u>	<u>-</u>	<u>1,457,365</u>
Total expenditures			
Change in net assets	(138,408)	(12,445)	(150,853)
Net assets, beginning of year	<u>2,957,186</u>	<u>52,389</u>	<u>3,009,575</u>
Net assets, end of year	<u>\$ 2,818,778</u>	<u>\$ 39,944</u>	<u>\$ 2,858,722</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, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Revenue and support:			
Contributions	\$ -	\$ 46,163	\$ 46,163
In-kind support	305,986	-	305,986
Government grants	136,782	50,898	187,680
Underwriting	365,112	-	365,112
Rent	6,891	-	6,891
Membership	397,116	-	397,116
Interest income	4,171	-	4,171
Other revenue	119,594	-	119,594
Net assets released from restriction	120,411	(120,411)	-
	<u>1,456,063</u>	<u>(23,350)</u>	<u>1,432,713</u>
Special events revenue	660,510	-	660,510
Special events expenses	(471,355)	-	(471,355)
	<u>189,155</u>	<u>-</u>	<u>189,155</u>
Special events, net			
	<u>1,645,218</u>	<u>(23,350)</u>	<u>1,621,868</u>
Total revenue and support and special events			
Expenditures:			
Programs:			
Programming	522,688	-	522,688
Broadcasting	179,406	-	179,406
Program information and promotion	197,214	-	197,214
Support:			
Membership and fundraising	349,718	-	349,718
Management and general	111,305	-	111,305
	<u>1,360,331</u>	<u>-</u>	<u>1,360,331</u>
Total expenditures			
Change in net assets	284,887	(23,350)	261,537
Net assets, beginning of year	2,672,299	75,739	2,748,038
Net assets, end of year	<u>\$ 2,957,186</u>	<u>\$ 52,389</u>	<u>\$ 3,009,575</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, 2019 and 2018

	Programming	Broadcasting	Program Information and Promotion	Membership and Fundraising	Management and General	2019 Total
Advertising	\$ -	\$ -	\$ 8,377	\$ -	\$ -	\$ 8,377
Bad debts	-	-	-	4,640	-	4,640
Bank fees	516	6,024	809	12,257	417	20,023
Commissions	-	-	23,148	23,148	-	46,296
Computer	4,103	3,763	486	20,183	7,018	35,553
Conferences and training	4,235	-	3,156	7,505	1,465	16,361
Depreciation	46,450	33,143	3,408	11,938	6,101	101,040
Donor recognition	-	-	770	4,258	-	5,028
Dues and subscriptions	3,515	390	2,920	1,748	670	9,243
Equipment	-	7,699	-	1,200	2,620	11,519
Equipment rental	444	18,862	491	1,080	281	21,158
Fees and permits	-	1,902	-	880	2,029	4,811
Food	166	16,855	1,159	2,043	614	20,837
In-kind	163,145	5,762	22,915	28,032	26,326	246,180
Insurance	4,536	6,411	130	457	6,986	18,520
Interest	49,140	8,398	3,605	12,629	6,454	80,226
Miscellaneous	-	1,732	-	392	8,257	10,381
Personnel	174,699	72,683	50,617	190,871	117,850	606,720
Postage	5	59	37	6,615	25	6,741
Printing	93	12,623	237	6,088	234	19,275
Professional fees	53,630	141,965	2,062	6,714	10,550	214,921
Program acquisition	42,695	-	-	-	-	42,695
Promotions	-	-	3,484	7,509	-	10,993
Rent	2,745	32,927	660	-	915	37,247
Repairs and maintenance	3,058	4,159	224	785	402	8,628
Supplies	866	6,432	1,271	4,463	2,082	15,114
Telephone	1,109	4,140	517	1,547	1,148	8,461
Training	900	900	-	-	-	1,800
Travel	4,501	2,270	2,172	6,349	3,188	18,480
Utilities	18,845	12,558	1,382	4,843	2,475	40,103
Website	3,460	591	254	889	454	5,648
Total expenditures	582,856	402,248	134,291	369,063	208,561	1,697,019
Less expenses included with fundraising events on the statement of activities	-	(232,173)	(5,458)	-	(2,023)	(239,654)
Total expenses included in the expenses section of the statement of activities	\$ 582,856	\$ 170,075	\$ 128,833	\$ 369,063	\$ 206,538	\$ 1,457,365

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, 2019 and 2018

	Programming	Broadcasting	Program Information and Promotion	Membership and Fundraising	Management and General	2018 Total
Advertising	\$ -	\$ 12,131	\$ 15,277	\$ -	\$ -	\$ 27,408
Bank fees	41	19,818	1,166	9,276	274	30,575
Commissions	-	2,411	25,779	25,779	-	53,969
Computer	2,237	4,696	1,092	8,702	1,716	18,443
Conferences and training	1,070	-	1,403	4,695	293	7,461
Depreciation	46,450	36,874	3,408	11,938	6,101	104,771
Donor recognition	-	-	500	893	-	1,393
Dues and subscriptions	3,582	390	3,088	821	743	8,624
Equipment	-	6,544	-	60	-	6,604
Equipment rental	791	33,808	396	901	124	36,020
Fees and permits	12	11,395	-	227	854	12,488
In-kind	155,780	11,302	83,174	28,983	26,744	305,983
Insurance	4,528	6,743	130	455	6,720	18,576
Interest	35,521	6,070	2,606	9,129	4,666	57,992
Miscellaneous	724	32,517	1,115	4,238	1,958	40,552
Personnel	148,422	81,940	46,887	205,018	43,763	526,030
Postage	3	286	-	7,306	-	7,595
Printing	2,005	25,154	1,333	6,658	61	35,211
Professional fees	61,915	263,718	1,821	2,381	12,501	342,336
Program acquisition	28,456	-	-	-	-	28,456
Promotions	-	-	4,460	10,766	-	15,226
Rent	2,745	62,930	500	-	915	67,090
Repairs and maintenance	3,338	2,764	245	858	438	7,643
Supplies	1,580	12,334	922	3,663	229	18,728
Telephone	3,387	2,899	653	1,953	557	9,449
Travel	-	1,284	60	66	-	1,410
Utilities	16,346	12,753	1,199	4,201	2,147	36,646
Website	3,755	-	-	751	501	5,007
Total expenditures	522,688	650,761	197,214	349,718	111,305	1,831,686
Less expenses included with fundraising events on the statement of activities	-	(471,355)	-	-	-	(471,355)
Total expenses included in the expenses section of the statement of activities	\$ 522,688	\$ 179,406	\$ 197,214	\$ 349,718	\$ 111,305	\$ 1,360,331

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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from donors and grantors	\$ 964,430	\$ 745,698
Cash received from special events	297,759	660,510
Other cash received	43,315	130,656
Cash paid to vendors and employees	<u>(1,359,484)</u>	<u>(1,286,677)</u>
Net cash provided by (used in) operating activities	<u>(53,980)</u>	<u>250,187</u>
Cash flows from investing activities:		
Cash paid for purchase of property and equipment	(35,704)	(1,803)
Change in restricted cash	<u>6,861</u>	<u>20,878</u>
Net cash provided by (used in) investing activities	<u>(28,843)</u>	<u>19,075</u>
Cash flows from financing activities:		
Proceeds from issuance of mortgage payable	1,385,755	-
Principal payments on mortgage payable	(153,728)	-
Payments on loan	(1,413,957)	(13,295)
Principal payments on note payable	-	(202,291)
Donations restricted for long-term purposes	<u>-</u>	<u>40,633</u>
Net cash used in financing activities	<u>(181,930)</u>	<u>(174,953)</u>
Change in cash and cash equivalents	(264,753)	94,309
Cash and cash equivalents, beginning of year	<u>873,217</u>	<u>778,908</u>
Cash and cash equivalents, end of year	<u>\$ 608,464</u>	<u>\$ 873,217</u>
Reconciliation of the change in net assets to net <u>cash provided by (used in) operating activities:</u>		
Change in net assets	\$ (150,853)	\$ 261,537
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation	99,602	104,771
Contributions restricted for purchase of property and equipment	-	(40,633)
Change in operating assets and liabilities:		
Accounts receivable, net	32,378	(6,578)
Prepaid expenses and other assets	(4,149)	85,888
Other assets	(7,101)	(24,360)
Accounts payable	45,135	16,936
Accrued compensated absences	(3,188)	2,640
Accrued payroll	(5,054)	9,246
Accrued expenses	(33,890)	43,902
Deferred income	<u>(26,860)</u>	<u>(203,162)</u>
Net cash provided by (used in) operating activities	<u>\$ (53,980)</u>	<u>\$ 250,187</u>
<u>Supplemental schedule of non-cash investing activities:</u>		
Interest paid	<u>\$ 80,226</u>	<u>\$ 57,992</u>

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

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

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 and 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

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14 Not-for-Profit Entities Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the presentation of net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The Station has retrospectively adopted the provision as of October 1, 2018.

The Station presents its financial statements in accordance with FASB ASC Topic 958, Subtopic 210 (FASB ASC 958-210), Presentation of Financial Statements of Not-for-Profit Entities. Under FASB ASC 958-210, the Station is required to report information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to stipulations;

Net assets with donor restrictions - Net assets that are subject to stipulations that will be met by actions or the passage of time.

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.

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, 2019 and 2018, the Station maintained a cash equivalent account totaling \$94,083 and \$52,368, respectively, which is not FDIC insured but is protected by the Securities Investor Protection Corporation (SIPC).

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk (Continued)

SIPC coverage is \$500,000 with a maximum limit on cash claims of \$250,000. At September 30, 2019, the Station had no uninsured cash. At September 30, 2018, the Station's uninsured cash balance totaled \$61,950. 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.

Broadcast Licenses

The television and radio broadcast licenses are individually evaluated and their estimated useful lives are determined. Broadcast licenses that are determined to have an indefinite life will be evaluated for impairment at least annually.

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.

Debt Issuance Costs

In accordance with the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 835-30, debt issuance costs are presented as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense in the statements of activities.

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 \$26,111 and \$110,902, as of September 30, 2019 and 2018, 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, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified, with no effect to change in net assets, to conform to the 2019 financial statement presentation.

Subsequent Events

Events and transactions have been evaluated or potential recognitions or disclosure through March 27, 2020, the date that these financial statements were available to be issued. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of all businesses that are non-essential per the government's definitions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The Station believes it has established adequate reserves for the duration of the temporary closings. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of Station's liquidity management, the Station has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Station's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 608,464	\$ 873,217
Accounts receivable, net	<u>157,602</u>	<u>189,980</u>
Financial assets	766,066	1,063,197
Less those unavailable for general expenditure within one year, due to purpose and time restrictions stipulated by donors	<u>(39,944)</u>	<u>(52,389)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 726,122</u>	<u>\$ 1,010,808</u>

NOTE 4: RESTRICTED CASH

Cash restricted for operating purposes included within cash and cash equivalents in current assets consists of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Restricted - Corporation for Public Broadcasting	\$ 32,732	\$ 39,898
Restricted - Other	<u>5,462</u>	<u>5,669</u>
	38,194	45,567
Unrestricted	<u>566,270</u>	<u>827,650</u>
Total	<u>\$ 604,464</u>	<u>\$ 873,217</u>

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 4: RESTRICTED CASH (CONTINUED)

Cash with donor restrictions for long term purposes included within noncurrent assets consists of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Capital campaign funds	\$ -	\$ 5,111
Equipment replacement and purchase fund	<u>1,750</u>	<u>1,750</u>
Total	<u>\$ 1,750</u>	<u>\$ 6,861</u>

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Underwriting receivables - contract balance	\$ 110,142	\$ 126,628
Trade receivables	22,629	28,036
Underwriting receivables	26,427	34,343
Other receivables	-	2,569
Reserve for doubtful accounts	<u>(1,596)</u>	<u>(1,596)</u>
Total accounts receivable	<u>\$ 157,602</u>	<u>\$ 189,980</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.

NOTE 6: PREPAID EXPENSES AND OTHER ASSETS

Current prepaid expenses and other assets consisted of the following as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Prepaid expenses - Other	\$ 13,728	\$ 9,579
Other assets	<u>2,203</u>	<u>2,203</u>
Total current prepaid expenses and other assets	<u>\$ 15,931</u>	<u>\$ 11,782</u>

Noncurrent other assets consisted of the following as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Broadcasting licenses	\$ 18,000	\$ 18,000
Computer software	<u>16,461</u>	<u>9,360</u>
Total noncurrent other assets	<u>\$ 34,461</u>	<u>\$ 27,360</u>

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 1,026	\$ 1,026
Equipment - operating	484,771	449,067
Equipment - CPB	105,657	105,657
Building	<u>3,791,730</u>	<u>3,791,730</u>
	4,383,184	4,347,480
Less accumulated depreciation	<u>839,923</u>	<u>740,321</u>
Property and equipment, net	<u>\$ 3,543,261</u>	<u>\$ 3,607,159</u>

Depreciation expense totaled \$99,602 and \$104,771 for the years ended September 30, 2019 and 2018, 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.

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 NTC. 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.

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 8: NOTE PAYABLE

In October 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 bore 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 were due and payable on the first day of each month beginning on November 1, 2014. The note was fully paid off during the year ended September 30, 2018.

NOTE 9: LOAN

The Station has a \$1,500,000 line of credit with an institution which is secured by equipment, furnishings and other tangible assets. Advances on this line of credit bore 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, 2018, was \$1,418,407. The loan was fully paid off during the year ended September 30, 2019.

NOTE 10: MORTGAGE PAYABLE

On October 22, 2018, the Station secured a promissory note with Tri Counties Bank in the amount of \$1,400,000 to pay off the loan described in Note 9. This note bears interest at the rate of 5.9% per annum and requires monthly principal and interest payments of \$9,008. The note has a term of 10 years and matures on October 22, 2028. On August 21, 2019, the terms of the agreement was modified as follows: the principal amount was changed to \$1,248,248.11 with monthly principal and interest payments of \$8,167 and no change to the maturity date. At September 30, 2019, the outstanding balance was \$1,246,272. As an offset to mortgage payable at September 30, 2019 is unamortized debt issuance costs of \$14,245.

Maturities of the mortgage note in each of the next five years and thereafter are estimated as follows:

Year Ending September 30:	2019
2020	\$ 25,200
2021	26,727
2022	28,347
2023	30,066
2024	31,889
Thereafter	<u>1,104,043</u>
Total	<u>\$ 1,246,272</u>

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 11: DEFERRED INCOME

Deferred income consisted of the following as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Deferred underwriting - contract balance	\$ 110,142	\$ 126,628
Trade deferred income	22,629	28,036
Deferred underwriting	7,183	12,495
Other deferred income	<u>5,612</u>	<u>5,267</u>
Total deferred income	<u>\$ 145,566</u>	<u>\$ 172,426</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 12: NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2019 and 2018, net assets with donor restrictions are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Capital campaign funds	\$ -	\$ 5,111
Corporation for Public Broadcasting	32,732	39,898
Equipment replacement and purchase fund	1,750	1,750
Other	<u>5,462</u>	<u>5,630</u>
Total net assets with donor restrictions	<u>\$ 39,944</u>	<u>\$ 52,389</u>

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 12: NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Activity within net assets with donor restrictions consisted of the following for the years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 52,389	\$ 75,739
Net assets temporarily restricted for capital campaign	35,935	40,594
Net assets temporarily restricted by the Corporation for Public Broadcasting	35,829	39,898
Net assets temporarily restricted for other	5,871	16,569
Net assets released from restriction by qualifying expenditures	<u>(90,080)</u>	<u>(120,411)</u>
Ending balance	<u>\$ 39,944</u>	<u>\$ 52,389</u>

NOTE 13: DONATED SERVICES, MATERIALS AND EQUIPMENT

Donated services, materials and equipment consisted of the following for the years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Donated on-air talent	\$ 151,198	\$ 143,883
Other donated services	51,518	133,569
Donated materials and equipment	<u>43,464</u>	<u>28,534</u>
Total in-kind support	<u>\$ 246,180</u>	<u>\$ 305,986</u>

In the fiscal years ended September 30, 2019 and 2018, donated services included the fair value of 8,760 and 8,604, respectively, hours of volunteer air talent broadcaster services. The fair value of these donated services was determined based on the Corporation for Public Broadcasting (CPB) salary study average median wages for the three years preceding each fiscal year. Amounts for the years ended September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Average CPB salary study wage median for three preceding years	\$ 35,910	\$ 34,783
Value of donated volunteer air talent broadcaster services	\$ 151,198	\$ 143,883

NEVADA CITY COMMUNITY BROADCAST GROUP

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE 14: OPERATING LEASES

Rent Expense

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, 2019 and 2018.

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 \$2,490 and \$2,418 for the years ended September 30, 2019 and 2018, respectively.

Total rent expense for September 30, 2019 and 2018 was \$10,410 and \$9,960, 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 \$5,465 and \$5,263, respectively, for the years ended September 30, 2019 and 2018.

Future minimum income at September 30, 2019, under agreements classified as operating leases with noncancelable terms are as follows:

<u>Year Ending September 30:</u>	<u>Income</u>
2020	<u>\$ 5,407</u>

NOTE 15: EMPLOYEE RETIREMENT PLAN

The Station has established a SIMPLE IRA plan (the "Plan") to provide retirement benefits for its employees. Employees who are reasonably expected to receive at least \$5,000 in compensation are eligible to contribute to the Plan by deductions from their payroll. The Station may make nonelective contributions for each eligible employee equal to 2% of the employee's compensation. For the years ended September 30, 2019 and 2018, retirement plan contributions totaled \$8,592 and \$2,224, respectively.