

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

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
SEPTEMBER 30, 2017 AND 2016**

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

SEPTEMBER 30, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of White Ash Broadcasting, Inc. (the Organization), a nonprofit organization, which comprise the statements of financial position as of September 30, 2017 and 2016 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Clovis, CA 93612

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Opinion

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

Price Pange & Company

Clovis, California
February 7, 2018

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

**STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016**

	2017	2016
<u>Assets</u>		
Current assets:		
Cash	\$ 551,355	\$ 240,737
Pledges receivable, net	301,464	317,413
Prepaid expenses	72,605	60,474
Total current assets	925,424	618,624
Long-term assets:		
Pledges receivable, net	93,445	176,762
Investments	375,220	580,118
Property and equipment, net	4,160,831	4,396,155
Total long-term assets	4,629,496	5,153,035
Total assets	\$ 5,554,920	\$ 5,771,659
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 7,197	\$ 18,148
Vacation payable	48,805	54,160
Other accrued expenses	15,019	15,885
Unearned revenue	9,600	-
Note payable, current portion	40,096	42,538
Total current liabilities	120,717	130,731
Long-term liabilities:		
Note payable, long-term portion	1,533,313	1,698,009
Total long-term liabilities	1,533,313	1,698,009
Total liabilities	1,654,030	1,828,740
Net assets:		
Donor restricted:		
Temporarily	426,073	506,884
Permanently	280,748	270,933
Total donor restricted	706,821	777,817
Unrestricted:		
Designated by the Board for endowment	32,740	29,120
Undesignated	3,161,329	3,135,982
Total unrestricted	3,194,069	3,165,102
Total net assets	3,900,890	3,942,919
Total liabilities and net assets	\$ 5,554,920	\$ 5,771,659

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

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
		<u>Temporarily</u>	<u>Permanently</u>	
Revenues and support:				
Contributions	\$ 1,230,405	\$ 60,580	\$ 9,815	\$ 1,300,800
Grants	164,096	403,646	-	567,742
Special events	163,900	-	-	163,900
Realized and unrealized gain/(loss)	2,720	38,054	-	40,774
Interest and dividend income	603	-	-	603
Other income	<u>15,883</u>	<u>-</u>	<u>-</u>	<u>15,883</u>
Total revenues and support before net assets released from restrictions	<u>1,577,607</u>	<u>502,280</u>	<u>9,815</u>	<u>2,089,702</u>
Net assets released from restrictions	<u>583,091</u>	<u>(583,091)</u>	<u>-</u>	<u>-</u>
Total revenues and support after reclassification of net assets released from restrictions	<u>2,160,698</u>	<u>(80,811)</u>	<u>9,815</u>	<u>2,089,702</u>
Expenses and gains/losses:				
Program services:				
Programming and production	845,031	-	-	845,031
Broadcasting and technical	756,698	-	-	756,698
Public information	<u>204,979</u>	<u>-</u>	<u>-</u>	<u>204,979</u>
Total program expenses	<u>1,806,708</u>	<u>-</u>	<u>-</u>	<u>1,806,708</u>
Supporting services:				
General administration	141,555	-	-	141,555
Fundraising and membership development	<u>198,568</u>	<u>-</u>	<u>-</u>	<u>198,568</u>
Total supporting expenses	<u>340,123</u>	<u>-</u>	<u>-</u>	<u>340,123</u>
Gains/losses:				
Gain on recovery of uncollectable pledges	<u>(15,100)</u>	<u>-</u>	<u>-</u>	<u>(15,100)</u>
Total gains/losses	<u>(15,100)</u>	<u>-</u>	<u>-</u>	<u>(15,100)</u>
Total expenses and gains/losses	<u>2,131,731</u>	<u>-</u>	<u>-</u>	<u>2,131,731</u>
Changes in net assets	28,967	(80,811)	9,815	(42,029)
Net assets, beginning of year	<u>3,165,102</u>	<u>506,884</u>	<u>270,933</u>	<u>3,942,919</u>
Net assets, end of year	<u>\$ 3,194,069</u>	<u>\$ 426,073</u>	<u>\$ 280,748</u>	<u>\$ 3,900,890</u>

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

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Unrestricted</u>	<u>Restricted</u>		<u>Total</u>
		<u>Temporarily</u>	<u>Permanently</u>	
Revenues and support:				
Contributions	\$ 1,251,342	\$ 989,475	\$ 11,165	\$ 2,251,982
Grants	16,700	396,810	-	413,510
Special events	150,270	-	-	150,270
Realized and unrealized gain/(loss)	2,181	30,025	-	32,206
Interest and dividend income	251	48	-	299
Other income	<u>3,739</u>	<u>-</u>	<u>-</u>	<u>3,739</u>
Total revenues and support before net assets released from restrictions	<u>1,424,483</u>	<u>1,416,358</u>	<u>11,165</u>	<u>2,852,006</u>
Net assets released from restrictions	<u>3,339,045</u>	<u>(3,339,045)</u>	<u>-</u>	<u>-</u>
Total revenues and support after reclassification of net assets released from restrictions	<u>4,763,528</u>	<u>(1,922,687)</u>	<u>11,165</u>	<u>2,852,006</u>
Expenses and losses:				
Program services:				
Programming and production	859,865	-	-	859,865
Broadcasting and technical	814,776	-	-	814,776
Public information	<u>207,003</u>	<u>-</u>	<u>-</u>	<u>207,003</u>
Total program expenses	<u>1,881,644</u>	<u>-</u>	<u>-</u>	<u>1,881,644</u>
Supporting services:				
General administration	103,120	-	-	103,120
Fundraising and membership development	<u>193,157</u>	<u>-</u>	<u>-</u>	<u>193,157</u>
Total supporting expenses	<u>296,277</u>	<u>-</u>	<u>-</u>	<u>296,277</u>
Losses:				
Uncollectible pledges	5,400	-	-	5,400
Disposal of fixed assets	<u>164,267</u>	<u>-</u>	<u>-</u>	<u>164,267</u>
Total losses	<u>169,667</u>	<u>-</u>	<u>-</u>	<u>169,667</u>
Total expenses and losses	<u>2,347,588</u>	<u>-</u>	<u>-</u>	<u>2,347,588</u>
Changes in net assets	2,415,940	(1,922,687)	11,165	504,418
Net assets, beginning of year	<u>749,162</u>	<u>2,429,571</u>	<u>259,768</u>	<u>3,438,501</u>
Net assets, end of year	<u>\$ 3,165,102</u>	<u>\$ 506,884</u>	<u>\$ 270,933</u>	<u>\$ 3,942,919</u>

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

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

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	2017	2016
Cash flows from operating activities:		
Contributions received	\$ 1,563,966	\$ 2,539,105
Grants received	567,742	413,510
Payments to vendors	(824,707)	(1,087,477)
Payments to employees, including taxes and benefits	(1,026,697)	(955,611)
Payments on interest	(60,271)	(55,877)
Proceeds from interest and dividends	603	299
Other cash receipts	25,483	3,739
Net cash provided by operating activities	246,119	857,688
Cash flows from investing activities:		
Purchase of property and equipment	(14,035)	(2,817,133)
Purchase of investments	(82,375)	(121,880)
Proceeds from sale of investments	328,047	365,217
Net cash provided by (used in) investing activities	231,637	(2,573,796)
Cash flows from financing activities:		
Borrowings on note payable	-	1,750,000
Principal payments on note payable	(167,138)	(9,453)
Net cash provided by (used in) financing activities	(167,138)	1,740,547
Net increase in cash	310,618	24,439
Cash, beginning of year	240,737	216,298
Cash, end of year	\$ 551,355	\$ 240,737
Reconciliation of changes in net assets to net operating cash flows:		
Changes in net assets	\$ (42,029)	\$ 504,418
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	249,359	138,317
Unrealized gain on investments	(40,774)	(32,206)
Loss on disposal of fixed assets	-	164,267
Changes in operating assets and liabilities:		
(Increase) decrease in pledges receivable	99,266	136,854
(Increase) decrease in prepaid expenses	(12,131)	(59,089)
Increase (decrease) in accounts payable	(10,951)	2,969
Increase (decrease) in vacation payable	(5,355)	2,106
Increase (decrease) in other accrued expenses	(866)	52
Increase (decrease) in unearned revenue	9,600	-
Net cash provided by operating activities	\$ 246,119	\$ 857,688

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

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

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Basis of Financial Statements

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Organization classifies net assets for the presentation of its financial statements as follows:

Unrestricted net assets include assets over which the Organization has full discretion as to use.

Temporarily restricted net assets include contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets at September 30, 2017 are composed of contributions received and receivable for the capital campaign, as well as contributions restricted to the purchase of equipment. Also included in temporarily restricted assets are realized and unrealized gains on individual endowment funds that have not been expended as stipulated by the donor.

Permanently restricted net assets include assets that are restricted by the donor for investment in perpetuity, the income from which is available to support activities as stipulated by the donor. Losses from investments are recorded as decreases in unrestricted net assets.

Cash and Cash Equivalents

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

Concentration of Credit Risk

The Organization maintains cash balances with various financial institutions insured by the Federal Deposit Insurance Corporation. The uninsured portions of these balances were \$262,126 and \$67,095 as of September 30, 2017 and 2016, respectively.

Investments

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

WHITE ASH BROADCASTING, INC.
FRESNO, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

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

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

Compensated Absences

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

Revenue Recognition

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

Support and Expenses

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated In-Kind Services

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

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses for the years ended September 30, 2017 and 2016 were \$624 and \$2,100, respectively.

Income Taxes

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

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

Fair Value of Financial Instruments

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

Use of Estimates

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

Reclassifications

Certain reclassifications were made to the prior year financial statements in order to conform to the presentation in the current year financial statements. These reclassifications had no effect on the Organization's net assets as of September 30, 2016.

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

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 2 – PLEDGES RECEIVABLE

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

Total unconditional promises to give were as follows at September 30:

	<u>2017</u>	<u>2016</u>
Receivables in less than one year	\$ 307,464	\$ 348,513
Receivables in one to five years	<u>99,950</u>	<u>189,278</u>
Total	407,414	537,791
Less: Discount to net present value	<u>(6,505)</u>	<u>(12,516)</u>
Subtotal	400,909	525,275
Less: Allowance for uncollectible pledges	<u>(6,000)</u>	<u>(31,100)</u>
Net unconditional promises to give	<u>\$ 394,909</u>	<u>\$ 494,175</u>

NOTE 3 – INVESTMENTS

Investments include unrestricted, temporarily restricted and permanently restricted funds. The fair value of investments is as follows at September 30:

	<u>2017</u>	<u>2016</u>
Corporate bond funds	\$ 144,196	\$ 128,911
Equity funds	230,689	206,891
Money markets	335	170,266
Fixed income	<u>-</u>	<u>74,050</u>
Total	<u>\$ 375,220</u>	<u>\$ 580,118</u>

As stated in Note 1, income from permanently restricted net assets is available to support any activity. Therefore, the investment return increases the unrestricted net assets.

Investment return consists of the following at September 30:

	<u>2017</u>	<u>2016</u>
Investment earnings	\$ 16,311	\$ 15,000
Unrealized gain/(loss)	<u>24,463</u>	<u>17,206</u>
Total	<u>\$ 40,774</u>	<u>\$ 32,206</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 3 – INVESTMENTS (Continued)

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

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

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

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

The table below presents the level within the fair value hierarchy at which investments are measured at September 30, 2017:

Description	Level 1	Level 2	Level 3
Equity Funds	\$ 230,689	\$ -	\$ -
Bond Funds	144,196	-	-
Money Market	335	-	-
	<u>\$ 375,220</u>	<u>\$ -</u>	<u>\$ -</u>

The table below presents the level within the fair value hierarchy at which investments are measured at September 30, 2016:

Description	Level 1	Level 2	Level 3
Equity Funds	\$ 206,891	\$ -	\$ -
Bond Funds	128,911	-	-
Money Market	170,266	-	-
Fixed Income	74,050	-	-
	<u>\$ 580,118</u>	<u>\$ -</u>	<u>\$ -</u>

WHITE ASH BROADCASTING, INC.
FRESNO, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at September 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 411,650	\$ 411,650
Radio equipment	413,844	409,329
Office furniture and fixtures	56,849	53,331
Leasehold improvements	38,034	38,034
Buildings and Improvements	<u>3,839,704</u>	<u>3,833,702</u>
	4,760,081	4,746,046
Accumulated depreciation	<u>(599,250)</u>	<u>(349,891)</u>
Property and equipment, net	<u>\$ 4,160,831</u>	<u>\$ 4,396,155</u>

Depreciation expense for the years ended September 30, 2017 and 2016 was \$249,359 and \$138,317, respectively.

NOTE 5 – LINE OF CREDIT

The Organization has a line of credit agreement with a bank that provides for borrowings of up to \$150,000 at the bank's prime rate. Any borrowings under this line are collateralized by the Organization's savings account, deposits, receivables and fixed assets. At September 30, 2017 and 2016, the Organization did not carry a balance on the line of credit. The Organization did not pay any interest for the year ended September 30, 2017 and 2016. The line expires in October 2018.

NOTE 6 – NOTE PAYABLE

The Organization has a note payable to United Security Bank payable in monthly installment of \$8,531 including interest at 3.95% secured by assets of the Organization. The note has a principal balance of \$1,573,409 and \$1,740,547 at September 30, 2017 and 2016, respectively.

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

2018	\$ 40,096
2019	41,831
2020	43,268
2021	45,209
2022	47,042
Thereafter	<u>1,355,963</u>
Total	<u>\$ 1,573,409</u>

Total interest expense on the note payable was \$65,822 and \$50,326 for the years ended September 30, 2017 and 2016, respectively.

WHITE ASH BROADCASTING, INC.
FRESNO, CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30:

	<u>2017</u>	<u>2016</u>
Capital campaign	\$ 190,479	\$ 452,326
Program services	<u>235,594</u>	<u>54,558</u>
Total temporarily restricted net assets	<u>\$ 426,073</u>	<u>\$ 506,884</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors and by receipt of pledges receivable as described in Note 1.

NOTE 8 – ENDOWMENTS

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

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

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the California UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

**WHITE ASH BROADCASTING, INC.
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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 – ENDOWMENTS (Continued)

Endowment Net Asset Computation by Type of Fund

Endowment net assets consist of the following at September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 95,254	\$ 280,748	\$ 376,002
Board-designated endowment funds	<u>32,740</u>	<u>-</u>	<u>-</u>	<u>32,740</u>
Total endowed net assets	<u>\$ 32,740</u>	<u>\$ 95,254</u>	<u>\$ 280,748</u>	<u>\$ 408,742</u>

Endowment net assets consisted of the following at September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 57,200	\$ 270,933	\$ 328,133
Board-designated endowment funds	<u>29,120</u>	<u>-</u>	<u>-</u>	<u>29,120</u>
Total endowed net assets	<u>\$ 29,120</u>	<u>\$ 57,200</u>	<u>\$ 270,933</u>	<u>\$ 357,253</u>

Changes in Endowment Net Assets

The following schedule shows changes in endowment net assets for the year ended September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2016	\$ 29,120	\$ 57,200	\$ 270,933	\$ 357,253
Investment return:				
Investment income	949	15,361	-	16,310
Net appreciation (depreciation)	<u>1,771</u>	<u>22,693</u>	<u>-</u>	<u>24,464</u>
Total investment return	<u>2,720</u>	<u>38,054</u>	<u>-</u>	<u>40,774</u>
Contributions	900	-	9,815	10,715
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, September 30, 2017	<u>\$ 32,740</u>	<u>\$ 95,254</u>	<u>\$ 280,748</u>	<u>\$ 408,742</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 – ENDOWMENTS (Continued)

Changes in Endowment Net Assets (Continued)

The following schedule shows changes in endowment net assets for the year ended September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2015	\$ 25,244	\$ 52,175	\$ 259,768	\$ 337,187
Investment return:				
Investment income	973	14,073	-	15,046
Net appreciation (depreciation)	<u>1,253</u>	<u>15,952</u>	<u>-</u>	<u>17,205</u>
Total investment return	<u>2,226</u>	<u>30,025</u>	<u>-</u>	<u>32,251</u>
Contributions	1,650	-	11,165	12,815
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Endowment net assets, September 30, 2016	<u>\$ 29,120</u>	<u>\$ 57,200</u>	<u>\$ 270,933</u>	<u>\$ 357,253</u>

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets

The following schedule shows the balances at September 30:

	<u>2017</u>	<u>2016</u>
PERMANENTLY RESTRICTED NET ASSETS		
The portion of perpetual endowment funds that is required to be retained either by explicit donor stipulation or by UPMIFA	<u>\$ 280,748</u>	<u>\$ 270,933</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ 280,748</u>	<u>\$ 270,933</u>
TEMPORARILY RESTRICTED NET ASSETS		
The portion of perpetual endowment funds subject to a purpose restriction under UPMIFA	<u>\$ 95,254</u>	<u>\$ 57,200</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 95,254</u>	<u>\$ 57,200</u>

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**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 8 – ENDOWMENTS (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 3 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The investment committee meets quarterly to assess the investment assets and the returns from the assets. As of September 30, 2017, the Organization had an investment policy of approximately 60% bonds, 40% stocks in order to be conservative in an uncertain market.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year fifty percent of earnings, based on the fiscal year-end account value. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of three percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no subsequent events that have occurred from September 30, 2017 through the date the financial statements were available to be issued at February 7, 2018 that would require additional disclosure or adjustment.