POSITIVE ALTERNATIVE RADIO, INC.

FINANCIAL STATEMENTS

Year ended December 31, 2020
(with summarized financial information
for the year ended December 31, 2019)

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Positive Alternative Radio, Inc.

We have audited the accompanying financial statements of Positive Alternative Radio, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statement of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 entity'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 qualified audit opinion.

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Basis for Qualified Opinion

As disclosed in Note 11, the Organization had unconditional promises to give related to giving campaigns as of December 31, 2020, that have not been recorded in the accompanying financial statements as required by auditing standards generally accepted in the United States of America (U.S. GAAP). The Organization records unconditional promises to give on a cash basis which is a known departure from U.S. GAAP.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Positive Alternative Radio, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Positive Alternative Radio, Inc. 2019 financial statements, and we expressed a Qualified Opinion on those audited financial statements in our report dated November 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Foti, Flynn, Lowen & Company, P.C.

Roanoke, Virginia
October 28, 2022

POSITIVE ALTERNATIVE RADIO, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2020
(with summarized financial information as of December 31, 2019)

ASSETS

	2020	2019
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,976,059	$ 1,291,824
Certificates of deposit	235,822	235,673
Accounts receivable:		
Underwriting and sponsorship	105,736	135,035
Other	7,223	6,499
Interest receivable - related party	28,819	-
Due from related parties	469,314	306,911
Prepaid life insurance premiums	120,908	-
Deposits	3,210	3,210
Total current assets	2,947,091	1,979,152
NON-CURRENT ASSETS:		
Property and equipment, net	2,157,416	2,076,599
Cash surrender value of life insurance	261,515	237,916
Goodwill	6,399,776	6,399,776
Total non-current assets	8,818,707	8,714,291
Total assets	$ 11,765,798	$ 10,693,443

The accompanying notes are an integral part of these financial statements

LIABILITIES AND NET ASSETS

	2020	2019
CURRENT LIABILITIES:		
Accounts payable	$ 139,868	$ 170,348
Interest payable - related party	19,716	10,298
Due to related parties	253,729	160,104
Accrued expenses	105,448	135,887
Current portion of long-term debt	565,541	562,814
Deferred revenues	121,673	131,278
Total current liabilities	1,205,975	1,170,729
LONG-TERM DEBT	3,351,703	3,095,700
Total liabilities	4,557,678	4,266,429
NET ASSETS:		
Without donor restrictions	7,208,120	6,382,558
With donor restrictions	-	44,456
Total net assets	7,208,120	6,427,014
Total liabilities and net assets	$ 11,765,798	$ 10,693,443

POSITIVE ALTERNATIVE RADIO, INC.

STATEMENT OF ACTIVITIES
December 31, 2020
(with summarized financial information for the year ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
SUPPORT AND REVENUE:				
Donations and contributions	$ 6,074,497	$ 4,244	$ 6,078,741	$ 5,966,333
Underwriting and sponsorships	1,398,595	-	1,398,595	1,628,351
Underwriting and sponsorships-barter	132,967	-	132,967	238,215
Bad debt recovery	-	-	-	75,000
Special events, net	16,842	-	16,842	64,503
In-kind contributions	50,906	-	50,906	25,937
Other support	32,509	-	32,509	25,746
Interest income	30,162	-	30,162	2,663
Satisfaction of program restrictions	48,700	(48,700)	-	-
Total support and revenue	7,785,178	(44,456)	7,740,722	8,026,748
EXPENSES:				
Program services	4,766,560	-	4,766,560	5,172,894
Supporting services:				
Management and general	1,379,320	-	1,379,320	1,613,893
Fundraising	813,736	-	813,736	872,054
Total expenses	6,959,616	-	6,959,616	7,658,841
CHANGE IN NET ASSETS	825,562	(44,456)	781,106	367,907
NET ASSETS, BEGINNING	6,382,558	44,456	6,427,014	6,059,107
NET ASSETS, ENDING	$ 7,208,120	$ -	$ 7,208,120	$ 6,427,014

The accompanying notes are an integral part of these financial statements

POSITIVE ALTERNATIVE RADIO, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2020
(with summarized financial information for the year ended December 31, 2019)

		Supporting Services		2020	2019
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Personnel expenses:					
Salaries	$ 1,961,501	$ -	$ 186,917	$ 2,148,418	$ 2,087,063
Payroll tax	153,343	-	14,613	167,956	167,506
Commissions	302,874	-	-	302,874	325,446
Insurance	486,813	-	34,690	521,503	422,988
Travel and car allowance	31,510	-	3,750	35,260	81,374
Training and education	65,158	-	-	65,158	71,674
Other employee benefits	34,805	-	4,038	38,843	132,221
Total personnel	3,036,004	-	244,008	3,280,012	3,288,272
Other expenses:					
Bad debt	-	-	-	-	6,167
Bank charges	61,621	972	114,680	177,273	147,487
Charitable contributions	155	-	-	155	19,447
Communication and telephone	114,198	-	76,132	190,330	184,103
Depreciation expense	179,144	-	-	179,144	163,586
Dues and subscriptions	2,562	-	-	2,562	11,542
Equipment leases	-	38,307	-	38,307	44,362
Fundraising	-	-	344,775	344,775	396,087
Insurance	-	92,256	-	92,256	107,617
Interest expense	-	147,903	-	147,903	151,133
Legal and professional fees	-	128,513	-	128,513	239,699
Licenses fees	192,917	-	-	192,917	198,689
Management fees	-	736,815	-	736,815	758,945
Marketing	130,242	-	-	130,242	363,304
Meals	-	18,082	-	18,082	47,207
Miscellaneous	22	7,977	1,476	9,475	22,303
Music testing	19,429	-	-	19,429	104,400
Office expenses	-	34,949	-	34,949	97,196
Other supplies	3,854	-	-	3,854	308
Other taxes	-	27,390	-	27,390	7,032
Postage	10,339	2,280	32,665	45,284	79,433

POSITIVE ALTERNATIVE RADIO, INC.

STATEMENT OF FUNCTIONAL EXPENSES – (Continued)
Year ended December 31, 2020
(with summarized financial information for the year ended December 31, 2019)

		Supporting Services		2020	2019
	Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
Other expenses (continued):					
Talent fees	$ 61,091	$ -	$ -	$ 61,091	$ 56,268
Vehicle leases	58,399	-	-	58,399	83,597
Total other	833,973	1,235,444	569,728	2,639,145	3,289,912
Facilities:					
Rent	469,994	-	-	469,994	448,595
Engineering	103,695	143,876	-	247,571	308,843
Utilities	232,848	-	-	232,848	230,421
Maintenance and repairs	84,850	-	-	84,850	87,454
Security	5,196	-	-	5,196	5,344
Total facilities	896,583	143,876	-	1,040,459	1,080,657
Total expenses	$ 4,766,560	$ 1,379,320	$ 813,736	$ 6,959,616	$ 7,658,841

The accompanying notes are an integral part of these financial statements

POSITIVE ALTERNATIVE RADIO, INC.

STATEMENT OF CASH FLOWS
Year ended December 31, 2020
(with comparative financial information as of December 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 781,106	$ 367,907
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	179,144	163,586
Bad debt	-	6,167
(Increase) decrease in operating assets:		
Accounts receivable, net	28,575	(44,745)
Interest receivable - related party	(28,819)	-
Due from related parties	(162,403)	(4,798)
Prepaid life insurance premiums	(120,908)	-
Cash surrender value of life insurance	(23,599)	(18,573)
Increase (decrease) in operating liabilities:		
Accounts payables	(30,480)	(12,451)
Interest payable - related party	9,418	(1,758)
Due to related parties	93,625	(142,547)
Accrued expenses	(30,439)	(8,555)
Deferred revenues	(9,605)	6,049
Net cash provided by operating activities	685,615	310,282
CASH FLOW FROM INVESTING ACTIVITIES:		
Investment in certificates of deposit	(149)	(1,222)
Purchase of property and equipment	(259,961)	(311,993)
Net cash used in investing activities	(260,110)	(313,215)
CASH FLOW FROM FINANCING ACTIVITIES:		
Principal payments on debt	(312,270)	(524,380)
Proceeds from long-term debt	571,000	150,000
Net cash provided by (used in) financing activities	258,730	(374,380)

POSITIVE ALTERNATIVE RADIO, INC.

STATEMENT OF CASH FLOWS – (Continued)
Year ended December 31, 2020
(with comparative financial information as of December 31, 2019)

		2020		2019
Net change in cash and cash equivalents	$	684,235	$	(377,313)
CASH AND CASH EQUIVALENTS:				
Beginning		1,291,824		1,669,137
Ending	$	1,976,059	$	1,291,824
Supplemental disclosure of cash flow information:				
Cash paid for interest	$	128,187	$	138,172
Property and equipment acquired through debt	$	-	$	150,000

The accompanying notes are an integral part of these financial statements

POSITIVE ALTERNATIVE RADIO, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF ACTIVITIES:

Positive Alternative Radio, Inc. (the Organization) is a non-profit corporation which owns and manages five Christian Broadcasting Radio Station groups: Spirit FM, WCQR, WPER, Walk FM and Joy FM. The Organization broadcasts into eight states (Virginia, Tennessee, West Virginia, North Carolina, South Carolina, Kentucky, Maryland and Ohio). The mission of the Organization is to create experiences that inspire people to live more passionately for Jesus Christ. The Organization's radio stations are plugged into their respective communities and engaged with local ministries. The Organization partners with neighboring non-profits and provides airtime and promotion. The Organization strives to leverage impact for Christ in today's world, on and off the air.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting and Financial Statement Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Net assets and revenues, support, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> Net assets without donor restrictions - Net assets that are available for use in general operations and not subject to donor restrictions. These net assets may be designated for specific purposes by action of the Board of Directors (the "Board") or may otherwise be limited by contractual agreements with outside parties. Revenues, support, gains, and losses that are not net assets with donor restrictions are included in this classification. Expenses are reported as decreases in this classification.
>
> Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor restrictions will be met by the passage of time while others can be fulfilled by action of the Organization pursuant to donor stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

As of December 31, 2020, the significant estimates used by management include: depreciable lives of fixed assets, the allocation of expenses and the valuation of goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

Cash and Cash Equivalents:

For purposes of reporting cash flows, the Organization considers all demand deposits and money market accounts to be cash and cash equivalents.

Concentration of Credit Risk:

The Organization maintains cash and cash equivalent balances at several banks. Each account is insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) if cash and the Securities Investor Protection Corporation (SIPC) if cash equivalent. The Organization's cash balances at times may exceed insured limits.

Fair Value Measurements:

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 Inputs - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 Inputs - Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs - Unobservable inputs in which there is little or no market data, which requires management to develop their assumptions.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Accounts Receivables:

Receivables are stated at the amount management expects to collect from outstanding balances. Management used the direct write-off method for uncollectible accounts for accounts receivable. Once management has determined that an account is uncollectible, receivables are charged to expenses. Other amounts due from outside parties are evaluated for collectability periodically by management and an allowance for doubtful accounts is established as is considered necessary.

Property and Equipment:

Property and equipment acquisitions are recorded at cost. It is the policy of the Organization to capitalize and depreciate all asset purchases costing over $2,500 with a useful life five years or greater. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

Property and Equipment – (Continued):

In-kind donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation and capitalized if greater than $2,500. Donated goods and services without donor restrictions are recognized as in-kind contribution and in-kind expense if the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Goodwill and Intangible Assets:

The Organization recognized goodwill on intangible assets from the purchase of radio stations. U.S. GAAP no longer allows the amortization of goodwill unless the Organization were to elect to apply an accounting alternative prescribed by the Financial Accounting Standards Board ("FASB") Accounting Standard Update ("ASU") 2014-02, Intangible-Goodwill and Other (Topic 350). The Organization has not made this accounting alternative election and thus goodwill is not amortized. The Organization evaluates goodwill on an annual basis at year-end for potential impairment by utilizing the accounting alternative for private companies prescribed by FASB ASU 2021-03, *Intangibles – Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*. No impairment was recorded for the years ended December 31, 2020 and 2019.

Support and Revenue Recognition:

The organization has two major types of revenue: Revenue from Contributions and Revenue from Underwriting and Sponsorships.

Revenue from Contributions consists of donations from individual donors and businesses. All contributions and grants (if received) are available for unrestricted use unless specifically restricted by the donor or grantor.

Contributions received are recorded as donations without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in donations with donor restriction. When a restriction expires, donations with donor restriction net assets are reclassified to donations without donor restriction net assets and reported in the statement of activities as satisfaction of program restrictions. Support that is restricted by the donor is reported as an increase to donations without donor restriction net assets if the restriction expires in the reporting period in which the support is recognized.

Revenue from Underwriting and Sponsorships consists of revenue received from businesses for recognition on the Organizations radio stations, websites or social media accounts; or revenue from businesses sponsoring the Organizations mission-based events. Revenue is recognized when media is placed and broadcasts (or) on promotional event days.

The Organization also recognizes revenue from Barter (trade) transactions. Barter consists of the exchange of a good or service with a business for recognition on the Organization's radio stations, websites or social

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

Support and Revenue Recognition – (Continued):

media accounts. Revenue is recognized in the period in which service is rendered and corresponding expense when goods or services are received.

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue consists of underwriting and sponsorship payments by donors that have been received that have not been recognized by radio stations.

Donated services and materials are reflected in the accompanying financial statements at their estimated values at date of receipt as both contributions and either expense or assets, depending on the nature of the donated service or material.

Functional Allocation of Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and by natural classification in the statements of functional expenses. Expenses that can be identified to a specific program or support service are charged directly to the related program or service according to their natural expenditure classification. Salaries and benefits are allocated based on assessment of time and effort. Other expenses that are common to several functions are allocated based on estimates made by management.

Advertising:

The Organization expenses advertising costs as incurred, advertising expenses for the years ended December 31, 2020 and 2019 totaled $130,242 and $363,304, of which $10,018 and $31,496 was from barter transactions. These costs are listed in the statements of functional expenses as “Marketing”.

Income Taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code but is required to pay taxes on unrelated business income. The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Federal taxes on unrelated income, if applicable, are provided at statutory rates.

Comparative Financial Information:

The financial statements include certain prior-year summarized comparative information in total but no by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2019, from which the summarized information was derived.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

Reclassification:

Certain accounts in prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Recent Accounting Pronouncements (Adopted):

In April 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-03, *Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*, which provides a new goodwill impairment alternative for private companies and not-for-profit entities. The new alternative allows eligible entities to perform the goodwill impairment triggering event analysis (and any resulting impairment test) required by ASC 350-20, "Intangibles—Goodwill and Other – Goodwill," as of the end of each reporting period, whether an interim or annual reporting period, instead of performing that analysis throughout the reporting period and any resulting impairment test as of the date during the reporting period on which a triggering event occurred. The Organization adopted this accounting pronouncement in 2020; however, the adoption had no impact to the Organization's financial reporting.

Recent Accounting Pronouncements (Not yet adopted):

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* ASU 2016-02 is a comprehensive new leases standard that amends various aspects of existing guidance for leases and requires additional disclosures about leasing arrangements. It will require lessees to recognize lease assets and lease liabilities for those leases classified as operating under legacy U.S. GAAP. However, Topic 842 does retain a distinction between finance and operating leases. A lessor will classify leases using criteria similar to legacy U.S. GAAP as (1) sales-type, (2) direct financing, or (3) operating leases. Once classified, the accounting model applied to each type of lease is also substantially similar to the lessor accounting model under legacy U.S. GAAP. In November 2019, the FASB issued *ASU 2019-10, Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, which deferred the effective date of ASU 2016-02 by one year. In June 2020, the FASB issued *ASU 2020-05*, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU 2016-02 by another year. As such, ASU 2016-02 is effective for the Organization on January 1, 2022 with early adoption permitted. The Organization is currently evaluating the effects of the standard on its ongoing financial reporting and has not yet adopted the standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued):

Recent Accounting Pronouncements (Not yet adopted) - Continued:

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU was issued to increase transparency around contributed nonfinancial assets received by not-for-profit ("NFP") organizations by providing new presentation and disclosure requirements. The ASU requires a NFP to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The ASU also requires a NFP to disclose: 1) A disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets; and 2) For each category of contributed nonfinancial assets recognized: a) Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period; b) The NFP's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; c) A description of any donor-imposed restrictions associated with the contributed nonfinancial assets; d) A description of the valuation techniques and inputs used to arrive at a fair value measure; and e) The principal market used to arrive at a fair value measure if it is a market in which the recipient NFP is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in the ASU should be applied on a retrospective basis. As such, ASU 2020-07 is effective for the Organization on January 1, 2022 with early adoption permitted. The Organization is currently evaluating the effects of the standard on its ongoing financial reporting and has not yet adopted the standard.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The ASU significantly changes the impairment model for most financial assets, including trade and loan receivables, that are measured at amortized cost and certain other instruments from an incurred loss model under legacy U.S. GAAP to an expected loss model. The amendments in the ASU broaden the information that an entity must consider in developing its expected credit loss estimate for financial assets by considering forecasted information. In contrast, legacy U.S. GAAP delays the recognition of credit losses until it is probable the loss has been incurred. Accordingly, it is anticipated that credit losses will be recognized earlier under the expected loss model prescribed by the ASU than under the incurred loss model prescribed by legacy U.S. GAAP. Additionally, the ASU provides for recording credit losses on available-for-sale debt securities through an allowance account, rather than a write-down of the amortized costs basis as prescribed by legacy U.S. GAAP. As a result, entities will be able to record reversals of credit losses in current period income as they occur, which is prohibited by legacy U.S. GAAP. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which deferred the effective date of ASU 2016-13 by two years. As such, ASU 2016-13 is effective for the Organization on January 1, 2022, with early adoption permitted. The Organization is currently evaluating the effects of the ASU on its financial statements and has not yet adopted the ASU.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

Financial assets available for general expenditure within one year of the statement of the financial position are as follows:

	2020	2019
Cash and cash equivalents	$ 1,976,059	$ 1,291,824
Certificates of deposit	235,822	235,673
Accounts receivable, net	112,959	141,534
Interest receivable - related party	28,819	-
Total financial assets	2,353,659	1,669,031
Less those unavailable for general expenditure within one year due to:		
Restricted by donor with time or purpose restrictions	-	(44,456)
Financial assets available for general expenditure within one year	$ 2,353,659	$ 1,624,575

4. FAIR VALUE MEASUREMENTS:

The Organization's investments are reported at fair value in the accompanying financial statements. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of their fair values. Furthermore, the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents fair value measurement information for certain financial instruments. The carrying values of cash, receivables and payables included in the statements of financial position approximated fair value at December 31, 2020 and 2019, and are thus not included in the following table.

4. FAIR VALUE MEASUREMENTS – (Continued):

	Fair Value	Observable Inputs Other than Quoted Prices (Level 2)
December 31, 2020		
Certificates of deposit	$ 235,822	$ 235,822
December 31, 2019		
Certificates of deposit	$ 235,673	$ 235,673

5. CASH SURRENDER VALUE OF LIFE INSURANCE:

The Organization maintains a whole life insurance policy on the primary officer-director of the Organization, who is also a related party and owner of Eastwood Management Corporation and Baker Investments, other related parties. The Officer is the beneficiary of this life insurance policy at December 31, 2020. Insurance premiums are $16,588 annually for both 2020 and 2019. Cash surrender value at December 31, 2020 and 2019 was $261,515 and 237,916, respectively.

In addition to the above life insurance policy, the Organization also carries a five and half-million-dollar flexible premium life insurance policy on the primary officer-director of the Organization. Annual estimated premiums paid on this policy for the years ended December 31, 2020 and 2019 amounted to $71,000 and $-0-, respectively. The Officer-director's estate is listed as owner and beneficiary of this life insurance policy at December 31, 2020. At December 31, 2020, this policy cash value was $120,908, all of which was applied to future life insurance premiums. This amount is reflected on the statement of financial position as prepaid life insurance premiums.

During 2021 and 2022, the Organization corrected the owner and beneficiary on the polices noted above to show the Organization as owner and beneficiary. Refer to note 14, uncertain tax positions for additional details.

6. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following as of December 31:

	2020	2019
Non-Depreciable Assets:		
Land	$ 85,956	$ 85,956
Construction in progress	-	25,937
	85,956	111,893
Depreciable Assets:		
Buildings and improvements	1,950,807	1,768,645
Vehicles	54,904	54,904
Computer and related equipment	9,800	9,800
Furniture and fixtures	20,876	17,966
Radio and studio equipment	5,774,701	5,711,610
General equipment	351,174	313,438
	8,162,262	7,876,363
Less accumulated depreciation	(6,090,802)	(5,911,657)
	2,071,460	1,964,706
Property and equipment, net	$ 2,157,416	$ 2,076,599

7. GOODWILL AND INTANGIBLE ASSETS:

The Organization has intangible assets established from the purchase of radio stations, primarily FCC licenses and station call letters. The Organization considers all FCC licenses and station call letters recorded on the Organizations books to have an indefinite useful life and, therefore, is not amortizing the licenses. Impairment of the intangible assets was considered by the Organization and was determined to have no impairment at December 31, 2020 and 2019. This asset is pledged as collateral in a related party loan, refer to Note 8 for additional details.

8. LONG-TERM DEBT:

A summary of long-term debt as of December 31, is as follows:

	2020	2019
$8,000,000 promissory note issued December 2005 by Baker Investments, LLC (a related party); Terms of the note follow original promissory note between Baker Investments and First National Bank & Trust, which was refinanced in May 2015, and subsequently assigned to the Organization primarily for the purpose of transferring intangible property. Terms currently require principal payments of $41,667 plus interest at 4.05%. Loan matures in 2025. Collateralized by all accounts, instruments, documents, chattel paper and other rights to payment, general intangibles, government payments and programs, and insurance proceeds from life insurance policies.	$ 2,708,315	$ 2,968,733
$198,903 promissory note issued by BB&T, as modified in June 2016 for the purpose of refinancing the loan on its Lynchburg station (WRXT). Interest is payable at 4.49% with 119 equal monthly payments of $2,068 commencing August 2016, final payment due July 2026. Collateralized by real estate in Lynchburg, VA with a net book value of $189,744 and $197,436 at December 31, 2020 and 2019, respectively.	103,858	123,449
$461,000 promissory note issued by Pinnacle Bank in November 2017, for the purpose of refinancing the existing loans for the (WPER) Studio. Interest is payable at 4.25% with 59 monthly payments of $2,869 and a final balloon payment of $382,761 payable November 2022. Collateralized by real estate in Fredericksburg, VA with a net book value of $375,470 and $448,205 at December 31, 2020 and 2019, respectively.	397,727	416,332
$150,000 promissory note issued by Atlantic Union in December 2019, for the purpose of purchasing a radio station in Luray, Virginia. Interest is payable at 4.07% with 60 equal installments of $2,771 due December 2024. Secured by Edward Baker and Baker Investments, related parties.	136,344	150,000

8. LONG-TERM DEBT – (Continued):

	2020	2019
$571,000 Payroll Protection Program (PPP) loan issued by the Small Business Administration (SBA) through Atlantic Union Bank in April 2020, Interest is payable at 1% with 18 equal installments starting in October 2020 of $32,107 due April 2022. Unsecured and subject to forgiveness.	$ 571,000	$ -
	3,917,244	3,658,514
Less current portion	(565,541)	(562,814)
Long-term portion	$ 3,351,703	$ 3,095,700

The loan agreements noted in table above all require that the Organization maintain certain financial covenants. Management is not aware of any violations to these covenants as of December 31, 2020 and 2019.

Annual requirements to amortize long-term obligations as of December 31, 2020.

2021	$ 565,541
2022	1,502,441
2023	552,869
2024	568,890
2025 and after	727,503
	$ 3,917,244

9. COMMITMENTS:

The Organization has numerous lease obligations. The Organization leases real and personal property, on-air programs through time brokerage agreements as well as various other license agreements, such as the rental of tower space for antenna placement to expand FM signal reach and broaden the Organization's listener landscape.

9. COMMITMENTS – (Continued):

Future minimum lease payments for all leases treated as operating at December 31, 2020 are as follows:

2021	$ 151,816
2022	142,481
2023	127,228
2024	92,703
2024 and after	88,870
	$ 603,098

10. RETIREMENT PLAN:

On January 1, 2014, the Organization elected to become a participating employer in the Eastwood Management Corporation 401(k) plan (a related party) covering substantially all eligible employees. Employees must complete 1 year and 1000 hours of service and attain age 21 before they are eligible to participate. Under the provisions of the plan, eligible employees may defer up to 100% of their compensation. Additionally, the Organization contributes up to 1% of eligible employees' salaries as an employer matching contribution. The retirement plan expense for the years ended December 31, 2020 and 2019 were $13,744 and $14,035, respectively, and is included in other employee benefits on statement of functional expenses.

11. UNCONDITIONAL PROMISES TO GIVE:

Several times a year, the Organization focuses on giving campaigns to raise funds in order to continue its mission. Some donors make one-time contributions and other donors commit to monthly contributions. These monthly contribution commitments meet the criteria for revenue recognition under FASB Codification Standards and are required to be recorded by U.S. GAAP. These campaigns generate a significant volume of smaller donations that would be difficult to track on an accrual basis. The Organization considered these pledges to be similar to other intentions to give and collection would never be pursued in the event the pledge payment is not collected. For these reasons, the Organization has elected not to record these pledges in these financial statements at December 31, 2020 and 2019, which is a known departure from U.S. GAAP, since their amount cannot be easily determined.

12. RELATED PARTY TRANSACTIONS:

The Organization's general and administrative functions are performed by Eastwood Management Company (Eastwood), a related party. The Organization reimburses Eastwood for these services at Eastwood's cost. Eastwood Management is owned by Virginia Baker, Edward Baker, and the Vernon H. Baker Marital Trust, and is operated by Virginia Baker and her son, Edward Baker, who is also the President of the Organization.

The Organization's primary debt (refer to Note 8) is held by Baker Investments, LLC, which is also owned and operated by Virginia Baker, Edward Baker, and the Vernon H. Baker Marital Trust.

Amounts paid and reimbursed to related parties during the year at December 31, 2020 and 2019 are as follows:

	Eastwood Management Company	Baker Investments, LLC	Total
Expenses paid by related party and reimbursed by the Organization*	$ 3,499,675	$ 24,961	
Management fees**	736,815	-	
Principal payments on related party debt	-	251,003	
Interest expense on related party debt	-	117,051	
Vehicles leased from related party	-	51,301	
December 31, 2020			
Total paid to related party for the year	$ 4,236,490	$ 444,316	$ 4,680,806
December 31, 2019			
Total paid to related party for the year	$ 4,121,585	$ 693,699	$ 4,815,284

* these expenses primarily consist of the reimbursement of payroll and employee benefits, business and life insurance

** these expenses primarily consist of leased general and administrative employees

12. RELATED PARTY TRANSACTIONS – (Continued):

Amounts due to and from related parties at December 31, 2020 and 2019 are as follows:

	Eastwood Management Company	Baker Investments, LLC	Other Related Parties	Total
December 31, 2020				
Due from related parties	$ 448,529	$ 1,450	$ 48,154	$ 498,133
Due to related parties	(138,345)	(81,568)	(53,532)	(273,445)
Due (to) from related parties, net	$ 310,184	$ (80,118)	$ (5,378)	$ 224,688
December 31, 2019				
Due from related parties	$ 257,733	$ 1,450	$ 47,728	$ 306,911
Due to related parties	(55,633)	(64,951)	(49,818)	(170,402)
Due (to) from related parties, net	$ 202,100	$ (63,501)	$ (2,090)	$ 136,509

On December 30, 2021, the Organization collected $367,651 which paid off all due from related parties balances that were outstanding at December 31, 2020.

The Bakers also sit on the Board of Directors of the Organization, which consists of five members, all five board members were related parties at December 31, 2020 and 2019.

13. INCOME TAXES:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities.

The Organization's previously filed income tax returns for the tax years 2017, 2018, and 2019 remain subject to examinations by a taxing authority. The Organization's income tax returns for the tax year 2020 has been filed and remains subject to examination by the taxing authority.

14. UNCERTAIN INCOME TAX POSITION:

The Organization paid insurance premiums on several officer-director life insurance policies in which the Organization was not the owner or beneficiary (refer to note 5 for additional details). Management of the Organization deems this issue as an administrative error and corrected subsequent to December 31, 2020. The tax years in which these errors occurred are still open to examination by the taxing authority. It is possible that the Internal Revenue Service could deem these errors as excess benefit transactions. The Organization determined that all income tax positions would be sustained upon examination, and accordingly, has not recorded any reserve, or related accruals for interest and penalties for uncertain income tax positions pursuant to ASC 740 Income Taxes as of December 31, 2020 and 2019.

15. CONTINGENCIES:

As a result of the COVID-19 pandemic, many economic uncertainties have arisen. The viral outbreak and resulting economic disruption have affected employment, production and services across a range of industries. The Organization relies heavily on public donations as well as underwriting on-air revenue which were impacted some from the uncertainty of the pandemic. Certain special events typically held each year were subsequently cancelled due to pandemic. The Organization was able to reduce operational expenses to maintain a positive change in net assets for the year ended December 31, 2020. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration of the outbreak, and the impact it has on donations, underwriting revenue, its employees and listeners, all of which are uncertain and cannot be predicted at this time.

16. SUBSEQUENT EVENTS:

On June 14, 2021, the note payable to SBA for the PPP Loan, as reflected in Note 8, was subsequently forgiven. As a result, the Organization was released from this liability at that time and the note payable was written off as gain on extinguishment of debt for the year ended December 31, 2021.

On June 30, 2022, the Organization obtained a vehicle loan with National Bank in Blacksburg in the amount of $29,138 at 4.75% interest for 60 months at $547 a month, due July 2027.

On July 21, 2022, the Organization exercised an option to purchase WLXN (AM) and FM translator station W291DD in Lexington, North Carolina from Davidson County Broadcasting Co., Inc. in the amount of $348,368.

On July 25, 2022, the real property located at 24580 Station Road, Denton, MD was transferred from VV Baker Family LC, a related party to the Organization for the amount of $202,200. On July 27, 2022 the Organization signed a note agreement with this same related party for $65,000, payments of $1,168 a month for 60 months at 3% begin on August 1, 2022.

16. SUBSEQUENT EVENTS – (Continued):

On July 29, 2022, the Organization obtained a vehicle loan with National Bank in Blacksburg in the amount of $29,531 at 5.25% interest for 60 months at $562 a month, due August 2027.

Other than items noted above, the Organization has determined they did not have any material subsequent events through October 28, 2022, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2020.