

CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION
d/b/a WDVX

Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)



CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION
d/b/a WDVX

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Cumberland Communities Communications Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Cumberland Communities Communications Corporation, d/b/a WDVX, which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cumberland Communities Communications Corporation as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

LBMC, PC

Knoxville, Tennessee
February 15, 2018

CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION
d/b/a WDVX

Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 123,127	\$ 170,836
Accounts receivable	17,890	12,325
Prepaid expenses	<u>3,750</u>	<u>-</u>
Total current assets	<u>144,767</u>	<u>183,161</u>
Property and equipment, net	30,168	22,783
Beneficial interest in assets held by others (Endowment)	<u>32,278</u>	<u>28,229</u>
	<u>\$ 207,213</u>	<u>\$ 234,173</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 7,937	\$ 5,524
Accrued expenses and liabilities	11,185	13,904
Deferred revenue	<u>26,657</u>	<u>26,893</u>
Total current liabilities	<u>45,779</u>	<u>46,321</u>
Net assets:		
Unrestricted net assets	161,434	177,852
Temporarily restricted net assets	<u>-</u>	<u>10,000</u>
Total net assets	<u>161,434</u>	<u>187,852</u>
	<u>\$ 207,213</u>	<u>\$ 234,173</u>

See accompanying notes to the financial statements.

CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION
d/b/a WDVX

Statements of Activities

Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue, gains and other support:		
Contributions	\$ 191,310	\$ 168,399
Special events	65,910	67,849
Underwriting	202,090	187,865
Grants	167,334	169,124
Noncash (Trade)	109,501	113,750
Sale of merchandise	6,450	2,818
Interest	30	39
Endowment gain, net	4,049	782
Net assets released from restriction	<u>10,000</u>	<u>-</u>
Total revenues, gains and other support	<u>756,674</u>	<u>710,626</u>
 Expenses:		
Program	584,192	532,379
General and administrative expenses	105,310	97,975
Fundraising	<u>83,590</u>	<u>82,265</u>
Total expenses	<u>773,092</u>	<u>712,619</u>
Decrease in unrestricted net assets	<u>(16,418)</u>	<u>(1,993)</u>
 Changes in temporarily restricted net assets:		
Net assets released from restriction	<u>(10,000)</u>	<u>-</u>
Decrease in temporarily restricted assets	<u>(10,000)</u>	<u>-</u>
Change in net assets	<u>(26,418)</u>	<u>(1,993)</u>
 Net assets at beginning of year	\$ <u>187,852</u>	\$ <u>189,845</u>
 Net assets at end of year	\$ <u><u>161,434</u></u>	\$ <u><u>187,852</u></u>

See accompanying notes to the financial statements.

CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION
d/b/a WDVX

Statement of Functional Expenses - 2017

December 31, 2017

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 283,534	\$ 49,320	\$ 42,279	\$ 375,133
Payroll taxes	17,977	3,745	3,245	24,967
Employee medical insurance	26,605	5,034	2,096	33,735
Event expense	73,019	926	13,762	87,707
Studio rent (Trade)	41,092	2,163	-	43,255
Tower rent	16,018	-	-	16,018
Broadcast fees and IT support (Trade)	2,900	1,000	700	4,600
Webcasting fees	12,533	1,072	-	13,605
Remote broadcasting	550	-	-	550
Repairs	1,746	112	-	1,858
Office telephone	13,135	1,510	453	15,098
Mobile telephone	2,295	-	-	2,295
Utilities	900	-	-	900
Supplies	3,538	1,270	118	4,926
Studio supplies	690	-	-	690
Postage	286	700	2,195	3,181
Legal and accounting fees	4,609	31,009	-	35,618
Insurance	7,655	2,061	98	9,814
Fundraising (Trade)	3,400	-	-	3,400
Advertising (Trade)	27,080	-	-	27,080
Mileage reimbursements	1,256	-	2,708	3,964
Travel and conferences	3,358	578	709	4,645
Lodging (Trade)	7,200	-	-	7,200
Meals and entertainment (Trade)	5,590	455	455	6,500
Fringe benefits	6,113	932	378	7,423
Fund drive premiums	1,000	-	12,665	13,665
Housekeeping (Trade)	1,700	1,700	-	3,400
Finance charges	-	54	-	54
Miscellaneous	<u>9,761</u>	<u>1,018</u>	<u>1,729</u>	<u>12,508</u>
Total expenses before depreciation	575,540	104,659	83,590	763,789
Depreciation	<u>8,652</u>	<u>651</u>	<u>-</u>	<u>9,303</u>
Total expenses	<u>\$ 584,192</u>	<u>\$ 105,310</u>	<u>\$ 83,590</u>	<u>\$ 773,092</u>

CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION
d/b/a WDVX

Statement of Functional Expenses - 2016

December 31, 2016

	<u>Program</u> <u>Services</u>	<u>General and</u> <u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 258,966	\$ 46,124	\$ 48,351	\$ 353,441
Payroll taxes	18,864	2,523	2,643	24,030
Employee medical insurance	18,425	8,007	4,448	30,880
Event expense	49,711	-	6,748	56,459
Studio rent (Trade)	44,457	2,143	-	46,600
Tower rent	12,988	-	-	12,988
Broadcast fees and IT support (Trade)	15,665	825	-	16,490
Webcasting fees	18,902	-	-	18,902
Remote broadcasting	300	-	-	300
Repairs	225	5	-	230
Office telephone	11,786	1,202	416	13,404
Mobile telephone	3,215	-	-	3,215
Utilities	800	-	-	800
Supplies	7,806	3,303	-	11,109
Studio supplies	1,540	150	-	1,690
Postage	-	804	1,913	2,717
Legal and accounting fees	1,896	25,715	-	27,611
Insurance	7,240	1,965	104	9,309
Fundraising (Trade)	1,500	-	570	2,070
Advertising (Trade)	14,400	-	-	14,400
Mileage reimbursements	1,977	250	1,125	3,352
Travel and conferences	2,713	-	-	2,713
Lodging (Trade)	7,200	-	-	7,200
Meals and entertainment (Trade)	6,699	634	592	7,925
Fringe benefits	4,988	931	268	6,187
Fund drive premiums	-	-	13,029	13,029
Housekeeping (Trade)	1,800	1,800	-	3,600
Finance charges	-	32	-	32
Miscellaneous	<u>10,450</u>	<u>962</u>	<u>2,058</u>	<u>13,470</u>
Total expenses before depreciation	524,513	97,375	82,265	704,153
Depreciation	<u>7,866</u>	<u>600</u>	<u>-</u>	<u>8,466</u>
Total expenses	\$ <u>532,379</u>	\$ <u>97,975</u>	\$ <u>82,265</u>	\$ <u>712,619</u>

CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION
d/b/a WDVX

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>(26,418)</u>	\$ <u>(1,993)</u>
Adjustments to reconcile change in net assets to cash flows provided (used) by operating activities:		
Depreciation	9,303	8,466
Net gain on beneficial interest in assets held by others (Endowment)	(4,049)	(782)
(Increase) decrease in operating assets:		
Receivables	(5,565)	14,010
Prepaid expenses	(3,750)	-
Increase (decrease) in operating liabilities:		
Accounts payable	2,413	(27)
Accrued expenses and liabilities	(2,719)	(164)
Deferred revenue	<u>(236)</u>	<u>(712)</u>
Total adjustments	<u>(4,603)</u>	<u>20,791</u>
Net cash provided (used) by operating activities	<u>(31,021)</u>	<u>18,798</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(16,688)</u>	<u>(14,218)</u>
Net cash used by investing activities	<u>(16,688)</u>	<u>(14,218)</u>
Increase (decrease) in cash and cash equivalents	(47,709)	4,580
Cash and cash equivalents at beginning of year	<u>170,836</u>	<u>166,256</u>
Cash and cash equivalents at end of year	<u>\$ 123,127</u>	<u>\$ 170,836</u>

CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION
d/b/a WDVX

Notes to the Financial Statements

December 31, 2017 and 2016

(1) Nature of operations

Cumberland Communities Communications Corporation d/b/a WDVX (the "Organization") has been organized to create and provide content to promote the cultural heritage of East Tennessee and the Southern Appalachian region by entertaining and educating audiences globally with original programs showcasing live radio performance, underrepresented arts, and emerging and local talent.

(2) Summary of significant accounting policies

The financial statements of the Organization are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The significant accounting policies are described below.

(a) Basis of presentation

Net Assets and revenues, 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:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization does not currently have any permanently restricted net assets.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution or grant is received, the Organization reports the support as unrestricted.

(b) Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION
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Notes to the Financial Statements

December 31, 2017 and 2016

(c) Receivables and credit policies

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from invoice date. Certain customers have been granted extended payment terms based on business volume. Late or interest charges on delinquent accounts are not recorded until collected. The carrying amount of accounts receivable is reduced by a valuation allowance, if necessary, which reflects management's best estimate of the amounts that will not be collected. The allowance is estimated based on management's knowledge of its customers, historical loss experience and existing economic conditions. No allowance was deemed necessary at December 31, 2017.

(d) Property and equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at their estimated market value at the date of the donation. Depreciation is provided over the assets' estimated useful lives, generally five years, using the straight-line method.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

(e) Income taxes

The Organization is exempt for federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements. The Internal Revenue Service does not classify the Organization as a private foundation.

An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Organization has no material uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

As of December 31, 2017, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense. The Organization files a U.S. Federal nonprofit tax return annually. The Organization is currently open to audit under the statute of limitations for the years ended after December 31, 2014.

CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION
d/b/a WDVX

Notes to the Financial Statements

December 31, 2017 and 2016

(f) Revenue recognition

Cash contributions are recognized as revenues when received.

Revenues from underwriting contracts are recognized as earned. Billings occur in accordance with the terms of the respective underwriting contracts, and revenues which relate to billings rendered in advance are deferred until earned.

Grant funds are earned and reported as revenues of the applicable grant when the Organization has incurred expenses in compliance with the specific restrictions of the grant agreement.

Noncash (Trade) revenues are earned and reported as revenues when underwriting spots are played on air in exchange for various goods and services of the same value.

In-kind contributions are recorded based on their estimated fair value at the date of donation.

(g) Advertising and promotion costs

Advertising and promotion costs are expensed as incurred.

(h) Realization of long-lived assets

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

(i) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Events occurring after reporting date

The Organization has evaluated events and transactions that occurred between December 31, 2017 and February 15, 2018, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION
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Notes to the Financial Statements

December 31, 2017 and 2016

(3) Credit risk and other concentrations

The Organization generally does not maintain cash and cash equivalents on deposit at banks in excess of federally insured amounts. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash and cash equivalents.

Contributions under one grant amounted to approximately 12% of the Organization's total revenues, gains, and other support in both 2017 and 2016.

(4) Property and equipment

A summary of property and equipment as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 6,179	\$ 6,179
Machinery and equipment	182,216	166,765
Furniture and fixtures	<u>32,574</u>	<u>31,337</u>
	220,969	204,281
Accumulated depreciation	<u>(190,801)</u>	<u>(181,498)</u>
	<u>\$ 30,168</u>	<u>\$ 22,783</u>

(5) Beneficial interest in assets held by others

An endowment held by the East Tennessee Foundation (the "Foundation") for the benefit of the Organization is administered by the Foundation.

Endowment income is distributed to the Organization based on a spending policy. Additional disbursements may be made with a two-thirds vote of approval from the Organization's Board of Directors. The Organization has granted the Foundation variance power, which is defined as the power to modify any restriction or condition on the distribution of funds for the specified charitable purposes or to be a specified organization if, in the sole judgment of the Foundation's board, such restrictions or conditions become, in effect unnecessary, undesirable, impracticable, incapable of fulfillment, or inconsistent with the charitable needs of the community served. Assets held by the Foundation for the benefit of the Organization are recorded as an asset in the accompanying statements of financial position.

CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION
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December 31, 2017 and 2016

The Board of Directors of the Foundation has the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to a specified organization if, in the sole judgment of the Board of Directors of the Foundation, such restriction or condition becomes, in effect, unnecessary, undesirable, impractical, incapable of fulfillment, or inconsistent with the charitable needs of the community served.

(6) Simple IRA Plan

The Organization sponsors a Simple IRA Plan covering all employees whose prior year compensation was at least \$5,000 and whose compensation for the current year is expected to be at least \$5,000. Matching contributions are made equal to each employee's salary reduction contribution up to a limit of 3% of total compensation for the year. Benefits become vested immediately. The Organization made contributions of \$7,423 and \$6,187 to the plan in 2017 and 2016, respectively.

(7) Advertising expenses

Advertising costs of \$27,080 and \$14,400 were expensed during 2017 and 2016, respectively.

(8) Lease commitments

The Organization leases space for the station broadcasting facilities and office in Knoxville, Tennessee, as well as a studio in Norris, Tennessee; where underwriting sponsorships are exchanged for use of the facilities. The exchange is recognized in the financial statements as underwriting income and studio rent expense. The Organization also rents tower usage under various leases. The Organization anticipates that each of these arrangements will continue in the near future. Rent expense totaled \$59,273 and \$59,588 in 2017 and 2016, respectively. A summary of approximate future minimum payments under these leases as of December 31, 2017 is as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 48,560
2019	41,910
2020	<u>19,080</u>
	<u>\$ 109,550</u>

It is expected that in the normal course of business, leases that expire will be renewed or replaced by other leases; thus, it is anticipated that future lease payments will not be less than the expense for 2017.

CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION
d/b/a WDVX

Notes to the Financial Statements

December 31, 2017 and 2016

(9) Supplemental disclosures of cash flow statement information

During 2017 and 2016, the Organization received \$109,501 and \$113,750, respectively, for various goods and services which were either accepted as in-kind donations or exchanged for underwriting spots.