

**CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION  
d/b/a WDVX**

**Financial Statements**

**December 31, 2018 and 2017**

**(With Independent Auditors' Report Thereon)**

**LBMC**

**MAKE A GOOD  
BUSINESS BETTER**

**CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION**  
**d/b/a WDVX**

**Table of Contents**

	<u>Page</u>
<b>Independent Auditors' Report</b>	<b>1</b>
<b>Financial Statements:</b>	
<b>Statements of Financial Position</b>	<b>3</b>
<b>Statements of Activities</b>	<b>4</b>
<b>Statement of Functional Expenses - 2018</b>	<b>5</b>
<b>Statement of Functional Expenses - 2017</b>	<b>6</b>
<b>Statements of Cash Flows</b>	<b>7</b>
<b>Notes to the Financial Statements</b>	<b>8</b>

## 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 statements of financial position as of December 31, 2018 and 2017, 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, 2018 and 2017, 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.

## *Effect of Adopting New Accounting Standard*

As discussed in Note 2, in August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted the standard for fiscal year 2018.

*LBMC, PC*

Knoxville, Tennessee  
June 12, 2019

**CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION**  
**d/b/a WDVX**

**Statements of Financial Position**

**December 31, 2018 and 2017**

Assets

	<u>2018</u>	<u>2017</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 129,671	\$ 123,127
Accounts receivable	35,316	17,890
Prepaid expenses	<u>2,275</u>	<u>3,750</u>
<b>Total current assets</b>	<u>167,262</u>	<u>144,767</u>
Property and equipment, net	21,247	30,168
Beneficial interest in assets held by others (Endowment)	<u>29,601</u>	<u>32,278</u>
<b>Total assets</b>	<u>\$ 218,110</u>	<u>\$ 207,213</u>

Liabilities and Net Assets

<b>Current liabilities:</b>		
Accounts payable	\$ 20,983	\$ 7,937
Accrued expenses and liabilities	11,585	11,185
Deferred revenue	<u>49,947</u>	<u>26,657</u>
<b>Total current liabilities</b>	<u>82,515</u>	<u>45,779</u>
<b>Net assets:</b>		
<b>Without donor restrictions</b>		
Undesignated	105,994	129,156
Board designated	<u>29,601</u>	<u>32,278</u>
<b>Total net assets</b>	<u>135,595</u>	<u>161,434</u>
<b>Total liabilities and net assets</b>	<u>\$ 218,110</u>	<u>\$ 207,213</u>

See accompanying notes to the financial statements.

**CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION**  
**d/b/a WDVX**

**Statements of Activities**

**Years ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Changes in net assets without donor restrictions:</b>		
<b>Revenue, gains and other support:</b>		
Contributions	\$ 176,863	\$ 191,310
Special events	112,335	65,910
Underwriting	191,125	202,090
Grants	115,554	167,334
Noncash (Trade)	91,589	109,501
Sale of merchandise	4,157	6,450
Interest	34	30
Endowment (loss) gain, net	(2,677)	4,049
Net assets released from restriction	<u>-</u>	<u>10,000</u>
Total revenues, gains and other support without donor restrictions	<u>688,980</u>	<u>756,674</u>
<b>Expenses:</b>		
Program	547,568	584,192
General and administrative expenses	90,584	105,310
Fundraising	<u>76,667</u>	<u>83,590</u>
Total expenses	<u>714,819</u>	<u>773,092</u>
Change in net assets without donor restrictions	<u>(25,839)</u>	<u>(16,418)</u>
<b>Changes in net assets with donor restrictions:</b>		
Net assets released from restriction	<u>-</u>	<u>(10,000)</u>
Change in net assets with donor restrictions	<u>-</u>	<u>(10,000)</u>
Change in net assets	(25,839)	(26,418)
Net assets at beginning of year	\$ <u>161,434</u>	\$ <u>187,852</u>
Net assets at end of year	\$ <u><u>135,595</u></u>	\$ <u><u>161,434</u></u>

See accompanying notes to the financial statements.

**CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION**  
**d/b/a WDVX**

**Statement of Functional Expenses - 2018**

**December 31, 2018**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 230,727	\$ 36,673	\$ 36,092	\$ 303,492
Payroll taxes	16,479	2,596	2,553	21,628
Employee medical insurance	21,780	4,933	2,593	29,306
Event expense	108,098	431	13,943	122,472
Studio rent (Trade)	37,203	2,157	-	39,360
Tower rent	13,225	-	-	13,225
Broadcast fees and IT support (Trade)	3,591	396	213	4,200
Webcasting fees	10,790	291	-	11,081
Repairs	1,662	938	-	2,600
Office telephone	28,082	3,071	647	31,800
Mobile telephone	2,799	-	85	2,884
Utilities	900	-	-	900
Supplies	2,801	1,234	32	4,067
Studio supplies	471	14	-	485
Postage	175	537	1,941	2,653
Legal and accounting fees		31,896	-	31,896
Insurance	4,964	1,353	73	6,390
Advertising and Promotion (Trade)	26,272	-	-	26,272
Mileage reimbursements	2,110	198	2,417	4,725
Travel and conferences	3,756	647	793	5,196
Lodging (Trade)	7,200	-	-	7,200
Meals and entertainment (Trade)	5,412	471	449	6,332
Fringe benefits	4,283	756	244	5,283
Fund drive premiums	341	-	13,624	13,965
Miscellaneous	<u>5,559</u>	<u>1,216</u>	<u>968</u>	<u>7,743</u>
Total expenses before depreciation	538,680	89,808	76,667	705,155
Depreciation	<u>8,888</u>	<u>776</u>	<u>-</u>	<u>9,664</u>
<b>Total expenses</b>	<b><u>\$ 547,568</u></b>	<b><u>\$ 90,584</u></b>	<b><u>\$ 76,667</u></b>	<b><u>\$ 714,819</u></b>

**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>
<b>Total expenses</b>	<b><u>\$ 584,192</u></b>	<b><u>\$ 105,310</u></b>	<b><u>\$ 83,590</u></b>	<b><u>\$ 773,092</u></b>

**CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION**  
**d/b/a WDVX**

**Statements of Cash Flows**

**Years ended December 31, 2018 and 2017**

	<u>2018</u>	2017
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ <u>(25,839)</u>	\$ <u>(26,418)</u>
Adjustments to reconcile change in net assets to cash flows provided (used) by operating activities:		
Depreciation	9,664	9,303
Net loss (gain) on beneficial interest in assets held by others (Endowment)	2,677	(4,049)
(Increase) decrease in operating assets:		
Receivables	(17,426)	(5,565)
Prepaid expenses	1,475	(3,750)
Increase (decrease) in operating liabilities:		
Accounts payable	13,046	2,413
Accrued expenses and liabilities	400	(2,719)
Deferred revenue	<u>23,290</u>	<u>(236)</u>
Total adjustments	<u>33,126</u>	<u>(4,603)</u>
Net cash provided (used) by operating activities	<u>7,287</u>	<u>(31,021)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	<u>(743)</u>	<u>(16,688)</u>
Net cash used by investing activities	<u>(743)</u>	<u>(16,688)</u>
Increase (decrease) in cash and cash equivalents	6,544	(47,709)
Cash and cash equivalents at beginning of year	<u>123,127</u>	<u>170,836</u>
Cash and cash equivalents at end of year	<u>\$ 129,671</u>	<u>\$ 123,127</u>

**CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION**  
**d/b/a WDVX**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

**(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 followed are described below.

**(a) Adopted accounting pronouncements**

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard changes certain presentation and disclosure requirements of not-for-profit entities. The primary changes are a reduction in the number of net asset classes from three to two (with donor restrictions and without donor restrictions), reporting of underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, requiring enhanced disclosures about how a not-for-profit entity manages its liquidity and requiring reporting of expenses by functional and natural classification, as well as enhanced endowment disclosures. This standard is effective for fiscal years beginning after December 15, 2017 and has been adopted by the Organization for fiscal year 2018. There were no restatements or reclassifications of net assets as a result of adopting this guidance.

**(b) Basis of presentation**

The Organization presents its financial statements in accordance with GAAP. The Organization reports information regarding its financial position and activities based on the existence or absence of donor or grantor imposed restrictions. Net assets of the Organization are presented as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor or grantor imposed restrictions. The Organization's board of directors has designated, from net assets without donor restrictions, net assets for particular purposes.

**CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION**  
**d/b/a WDVX**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

*Net Assets With Donor Restrictions* - Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization has no net assets subject to donor-imposed restrictions at December 31, 2018 or 2017.

Contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Revenue from grants with donor restrictions is recorded based on expenses incurred since these grants are generally on a cost-reimbursement basis.

(c) Cash and cash equivalents

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

(d) 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, 2018.

(e) 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.

CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION  
d/b/a WDVX

Notes to the Financial Statements

December 31, 2018 and 2017

(f) 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, 2018, 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, 2015.

(g) 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.

(h) Advertising and promotion costs

Advertising and promotion costs are expensed as incurred.

**CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION**  
**d/b/a WDVX**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

**(i) 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.

**(j) 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.

**(k) Reclassifications**

Certain reclassifications have been made to the 2017 financial statements in order for them to conform to the 2018 presentation. These reclassifications have no effect on changes in net assets as previously reported.

**(l) Events occurring after reporting date**

The Organization has evaluated events and transactions that occurred between December 31, 2018 and June 12, 2019, 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**  
**d/b/a WDVX**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

**(3) Liquidity**

A summary of the Organization's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general use because of donor-imposed restrictions, within one year of the statement of financial position date is as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 129,671	\$ 123,127
Accounts receivable	35,316	17,890
Endowment fund	<u>29,601</u>	<u>32,278</u>
Financial assets at end of year	194,588	173,295
Less: assets unavailable for general expenditures within one year:		
Endowment fund	<u>29,601</u>	<u>32,278</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>164,987</u>	\$ <u>141,017</u>

Board designated investments of \$29,601 and \$32,278 as of December 31, 2018 and 2017, respectively, are designated for long-term purposes. The Organization does not intend to use these investments for operating purposes and has excluded these investments from financial assets available in the table above. However, these amounts could be made available for operations, if necessary.

**(4) Credit risk and other concentrations**

The Organization occasionally maintains 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 10% and 12% of the Organization's total revenues, gains, and other support in 2018 and 2017, respectively.

**CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION**  
**d/b/a WDVX**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

**(5) Property and equipment**

A summary of property and equipment as of December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 6,179	\$ 6,179
Machinery and equipment	183,015	182,216
Furniture and fixtures	<u>32,574</u>	<u>32,574</u>
	221,768	220,969
Accumulated depreciation	<u>(200,521)</u>	<u>(190,801)</u>
	<u>\$ 21,247</u>	<u>\$ 30,168</u>

**(6) 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.

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.

**(7) 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 \$5,283 and \$7,423 to the plan in 2018 and 2017, respectively.

**CUMBERLAND COMMUNITIES COMMUNICATIONS CORPORATION**  
**d/b/a WDVX**

**Notes to the Financial Statements**

**December 31, 2018 and 2017**

**(8) Advertising expenses**

Advertising costs of \$3,650 and \$27,080 were expensed during 2018 and 2017, respectively.

**(9) 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 \$52,585 and \$59,273 in 2018 and 2017, respectively. A summary of approximate future minimum payments under these leases as of December 31, 2018 is as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 43,160
2020	<u>22,830</u>
	<u>\$ 65,990</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 2018.

**(10) Supplemental disclosures of cash flow statement information**

During 2018 and 2017, the Organization received \$91,589 and \$109,501, respectively, for various goods and services which were either accepted as in-kind donations or exchanged for underwriting spots.