NORTHWEST INDIANA PUBLIC
BROADCASTING, INC.
Merrillville, Indiana

ANNUAL REPORT
September 30, 2018

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Northwest Indiana Public Broadcasting, Inc.
Merrillville, Indiana

We have audited the accompanying financial statements of Northwest Indiana Public Broadcasting, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, 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 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 Northwest Indiana Public Broadcasting, Inc. as of September 30, 2018 and 2017, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on pages 6 and 7 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Michigan City, Indiana
February 25, 2019
NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

STATEMENTS OF FINANCIAL POSITION
September 30, 2018 and 2017

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$1,158,984</td>
<td>$1,406,009</td>
</tr>
<tr>
<td>Investments (Note 2)</td>
<td>78,735</td>
<td>78,735</td>
</tr>
<tr>
<td>Grants and accounts receivable (net of allowance for doubtful accounts: 2018-$10,000, 2017-$10,000)</td>
<td>134,654</td>
<td>171,276</td>
</tr>
<tr>
<td>Membership receivable</td>
<td>19,771</td>
<td>27,252</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>35,278</td>
<td>34,577</td>
</tr>
<tr>
<td>Total current assets</td>
<td>1,427,422</td>
<td>1,717,849</td>
</tr>
<tr>
<td>PROPERTY AND EQUIPMENT (Note 3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,293,828</td>
<td>1,351,923</td>
</tr>
<tr>
<td>OTHER ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>6,475</td>
<td>6,475</td>
</tr>
<tr>
<td>Radio license (Note 4)</td>
<td>1,076,682</td>
<td>1,076,682</td>
</tr>
<tr>
<td>Total other assets</td>
<td>1,083,157</td>
<td>1,083,157</td>
</tr>
<tr>
<td>Total assets</td>
<td>$3,804,407</td>
<td>$4,152,929</td>
</tr>
</tbody>
</table>

LIABILITIES AND NET ASSETS

| CURRENT LIABILITIES |               |               |
| Current portion of long-term debt (Note 5) | $ 62,691 | $ 605,583 |
| Accounts payable | 377,068 | 329,510 |
| Accrued payroll and payroll taxes | 34,526 | 57,876 |
| Deferred revenue | 381,804 | 404,900 |
| Total current liabilities | 856,089 | 1,397,869 |

LONG-TERM DEBT (Note 5) | 480,254 | 6,237 |

NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>2,468,064</td>
<td>2,748,823</td>
</tr>
<tr>
<td>Total net assets</td>
<td>2,468,064</td>
<td>2,748,823</td>
</tr>
</tbody>
</table>

Total liabilities and net assets | $3,804,407 | $4,152,929 |

The accompanying notes are an integral part of these financial statements.
## STATEMENT OF ACTIVITIES
For the year ended September 30, 2018

<table>
<thead>
<tr>
<th>REVENUES AND SUPPORT</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
</tr>
<tr>
<td>Contributions - foundations</td>
<td>$ 155,740</td>
</tr>
<tr>
<td>Contributions - bequests</td>
<td>23,518</td>
</tr>
<tr>
<td>CPB - community service grant</td>
<td>564,405</td>
</tr>
<tr>
<td>Mobile production grant</td>
<td>45,711</td>
</tr>
<tr>
<td>IPBS - annual allocation</td>
<td>316,596</td>
</tr>
<tr>
<td>Fundraising and special events</td>
<td>70,578</td>
</tr>
<tr>
<td>Investment income</td>
<td>2,658</td>
</tr>
<tr>
<td>Membership subscriptions</td>
<td>841,913</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>8,160</td>
</tr>
<tr>
<td>Production underwriting income</td>
<td>340,754</td>
</tr>
<tr>
<td>Program underwriting income</td>
<td>91,174</td>
</tr>
<tr>
<td>CPB - community service grant - radio</td>
<td>75,473</td>
</tr>
<tr>
<td>IPBS - annual allocation - radio</td>
<td>56,023</td>
</tr>
<tr>
<td>Membership subscriptions - radio</td>
<td>15,386</td>
</tr>
<tr>
<td>Transmission grants - radio</td>
<td>25,000</td>
</tr>
<tr>
<td>Underwriting income - radio</td>
<td>50,033</td>
</tr>
<tr>
<td>In-kind revenue</td>
<td>79,002</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>28,258</td>
</tr>
<tr>
<td>Gain on sale of fixed assets</td>
<td>63,500</td>
</tr>
<tr>
<td></td>
<td><strong>2,857,882</strong></td>
</tr>
</tbody>
</table>

EXPENSES

| Administrative                                           | 860,218       |                         |            | 860,218       |
| Production                                               | 286,692       |                         |            | 286,692       |
| Engineering                                              | 319,002       |                         |            | 319,002       |
| Programming                                              | 705,748       |                         |            | 705,748       |
| Memberships                                              | 349,908       |                         |            | 349,908       |
| Development                                              | 302,001       |                         |            | 302,001       |
| News                                                      | 312,072       |                         |            | 312,072       |
| Total expenses                                           | **3,138,641** |                         |            | **3,138,641** |

DECREASE IN NET ASSETS

| (280,759)                                                |              |                         |            | (280,759)     |

NET ASSETS AT BEGINNING OF YEAR

| 2,748,823                                                |              |                         |            | 2,748,823     |

NET ASSETS AT END OF YEAR

| $2,466,064                                               | $              | $                        | $2,466,064 |

The accompanying notes are an integral part of these financial statements.
NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

STATEMENT OF ACTIVITIES
For the year ended September 30, 2017

<table>
<thead>
<tr>
<th>REVENUES AND SUPPORT</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Restricted</th>
<th>Total</th>
<th>All Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions - foundations</td>
<td>$ 172,631</td>
<td></td>
<td></td>
<td>172,631</td>
<td></td>
</tr>
<tr>
<td>Contributions - bequests</td>
<td>6,997</td>
<td></td>
<td></td>
<td>6,997</td>
<td></td>
</tr>
<tr>
<td>CPBS - community service grant</td>
<td>494,616</td>
<td></td>
<td></td>
<td>494,616</td>
<td></td>
</tr>
<tr>
<td>Mobile production grant</td>
<td>141,195</td>
<td></td>
<td></td>
<td>141,195</td>
<td></td>
</tr>
<tr>
<td>IPBS - annual allocation</td>
<td>316,297</td>
<td></td>
<td></td>
<td>316,297</td>
<td></td>
</tr>
<tr>
<td>Fundraising and special events</td>
<td>68,428</td>
<td></td>
<td></td>
<td>68,428</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>1,413</td>
<td></td>
<td></td>
<td>1,413</td>
<td></td>
</tr>
<tr>
<td>Membership subscriptions</td>
<td>896,645</td>
<td></td>
<td></td>
<td>896,645</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>12,201</td>
<td></td>
<td></td>
<td>12,201</td>
<td></td>
</tr>
<tr>
<td>Production underwriting income</td>
<td>283,369</td>
<td></td>
<td></td>
<td>283,369</td>
<td></td>
</tr>
<tr>
<td>Transmission grants - radio</td>
<td>37,615</td>
<td></td>
<td></td>
<td>37,615</td>
<td></td>
</tr>
<tr>
<td>Underwriting income - radio</td>
<td>10,199</td>
<td></td>
<td></td>
<td>10,199</td>
<td></td>
</tr>
<tr>
<td>In-kind revenue</td>
<td>125,871</td>
<td></td>
<td></td>
<td>125,871</td>
<td></td>
</tr>
</tbody>
</table>

Net assets released from restrictions                     | 8,483        | (8,483)                |            |          |           |

Total revenues and support                                | 2,847,924    |                        |            | 2,847,924 |           |

EXPENSES

| Administrative                                           | 894,728      |                        |            | 894,728  |           |
| Production                                               | 305,125      |                        |            | 305,125  |           |
| Engineering                                              | 334,728      |                        |            | 334,728  |           |
| Programming                                              | 722,772      |                        |            | 722,772  |           |
| Memberships                                              | 404,498      |                        |            | 404,498  |           |
| Development                                              | 344,665      |                        |            | 344,665  |           |
| News                                                      | 14,650       |                        |            | 14,650   |           |
| Radio                                                     | 346,674      |                        |            | 346,674  |           |

Total expenses                                           | 3,367,840    |                        |            | 3,367,840 |           |

DECREASE IN NET ASSETS                                    | (519,916)    |                        |            | (519,916)|           |

NET ASSETS AT BEGINNING OF YEAR                            | 3,268,739    |                        |            | 3,268,739|           |

NET ASSETS AT END OF YEAR                                  | $2,748,823   | $                      |            | $2,748,823|           |

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

APPLEGATE & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
<table>
<thead>
<tr>
<th>Year</th>
<th>Audio Programming</th>
<th>Production</th>
<th>Programming Development</th>
<th>Overall Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$120,000</td>
<td>$80,000</td>
<td>$150,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>2017</td>
<td>$110,000</td>
<td>$70,000</td>
<td>$140,000</td>
<td>$220,000</td>
</tr>
<tr>
<td>2016</td>
<td>$100,000</td>
<td>$60,000</td>
<td>$130,000</td>
<td>$200,000</td>
</tr>
</tbody>
</table>

For the year ended September 30, 2018

Northwest Missouri Broadcasting, Inc.
<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and related expenses</td>
<td>$334,777</td>
</tr>
<tr>
<td>Taxes</td>
<td>$813,579</td>
</tr>
<tr>
<td>Insurance - health</td>
<td>$8,328</td>
</tr>
<tr>
<td>Mileage expenses</td>
<td>$10,722</td>
</tr>
<tr>
<td>Total salaries and related expenses</td>
<td>$4,180</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>$334,777</td>
</tr>
<tr>
<td>Engineering</td>
<td>$813,579</td>
</tr>
<tr>
<td>Programming</td>
<td>$8,328</td>
</tr>
<tr>
<td>Development</td>
<td>$10,722</td>
</tr>
<tr>
<td>Total</td>
<td>$4,180</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>$334,777</td>
</tr>
<tr>
<td>Engineering</td>
<td>$813,579</td>
</tr>
<tr>
<td>Programming</td>
<td>$8,328</td>
</tr>
<tr>
<td>Development</td>
<td>$10,722</td>
</tr>
<tr>
<td>Total</td>
<td>$4,180</td>
</tr>
</tbody>
</table>
NORTHWEST INDIANA PUBLIC BROADCASTING, INC.

STATEMENTS OF CASH FLOWS
For the years ended September 30, 2018 and 2017

CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase/(decrease) in net assets</td>
<td>$ (280,759)</td>
<td>$ (519,916)</td>
</tr>
<tr>
<td>Add non-cash items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>338,133</td>
<td>348,520</td>
</tr>
<tr>
<td>Decrease/(increase) in assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and accounts receivable</td>
<td>36,622</td>
<td>150,914</td>
</tr>
<tr>
<td>Membership receivable</td>
<td>7,481</td>
<td>1,045</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(701)</td>
<td>(4,227)</td>
</tr>
<tr>
<td>Increase/(decrease) in liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>47,558</td>
<td>(142,775)</td>
</tr>
<tr>
<td>Accrued payroll and payroll taxes</td>
<td>(23,350)</td>
<td>(1,866)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(23,096)</td>
<td>107,160</td>
</tr>
<tr>
<td><strong>Net cash provided/(used) by</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>operating activities</strong></td>
<td>101,888</td>
<td>(61,145)</td>
</tr>
</tbody>
</table>

CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in certificates of deposit</td>
<td></td>
<td>(544)</td>
</tr>
<tr>
<td>Purchase of equipment</td>
<td>(280,038)</td>
<td>(8,808)</td>
</tr>
<tr>
<td><strong>Net cash used by investing activities</strong></td>
<td>(280,038)</td>
<td>(9,352)</td>
</tr>
</tbody>
</table>

CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt reduction:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term - line of credit</td>
<td>(68,875)</td>
<td>(63,803)</td>
</tr>
<tr>
<td>Long-term</td>
<td>(68,875)</td>
<td>(63,803)</td>
</tr>
<tr>
<td><strong>Net cash used by financing activities</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NET DECREASE IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net decrease in cash and cash equivalents</strong></td>
<td>(247,025)</td>
<td>(134,300)</td>
</tr>
</tbody>
</table>

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents - beginning of year</strong></td>
<td>1,406,009</td>
<td>1,540,309</td>
</tr>
</tbody>
</table>

CASH AND CASH EQUIVALENTS - END OF YEAR

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents - end of year</strong></td>
<td><strong>$1,158,984</strong></td>
<td><strong>$1,406,009</strong></td>
</tr>
</tbody>
</table>

* Schedule of Interest Paid in Arriving at Change in Net Assets
  Cash paid for interest

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Schedule of Interest Paid in Arriving at Change in Net Assets</strong></td>
<td><strong>$27,995</strong></td>
<td><strong>$29,069</strong></td>
</tr>
</tbody>
</table>

Schedule of Noncash Investing and Financing Transactions

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of fixed assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of fixed assets</td>
<td><strong>$280,038</strong></td>
<td><strong>$8,808</strong></td>
</tr>
<tr>
<td>Cash payment for fixed assets</td>
<td><strong>$280,038</strong></td>
<td><strong>$8,808</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS - Northwest Indiana Public Broadcasting, Inc. (the Station) is a not-for-profit organization, incorporated in the State of Indiana. The Station's purpose is to plan and provide non-commercial educational broadcasting while serving the educational, cultural, and instructional needs of the general public in Northwest Indiana and surrounding communities. The Station receives grants from public and governmental agencies, which is its primary source of revenue. It is the Station's responsibility to obtain revenues to meet operating expenses and capital requirements not funded by the receipt of grant money.

ACCOUNTING METHODS - The financial statements of Northwest Indiana Public Broadcasting, Inc. are prepared on the accrual basis of accounting.

INCOME TAXES - The Station is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and from state income taxes under Indiana law.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification "Accounting for Uncertainty in Income Taxes," that clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Station's income tax returns. The Station has adopted the Standard. The Station evaluates all significant tax positions.

- Continued -
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

as required by generally accepted accounting principles in the United States. As of September 30, 2018, the Station does not believe that it has taken any tax positions that would require the recording of any tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Station's income tax returns are subject to examination by the appropriate taxing jurisdictions and the open tax years are 2014-2017.

CASH EQUIVALENTS - All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents and are reflected as cash in the statement of cash flows.

FINANCIAL STATEMENT PRESENTATION - The Station is required to report 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. Contributions whose restrictions are met in the same period as the recognition of the contribution are considered unrestricted for reporting purposes.

CONTRIBUTIONS - Contributions including grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor/grantor restrictions.

- Continued -
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Such contributions and grants are required to be reported as temporarily restricted support and then reclassified to unrestricted net assets upon expiration of the time or purpose restrictions. Restricted support is reported as unrestricted, if restrictions are met in the same reporting period when received.

During the years ended September 30, 2018 and 2017, the Station expensed less than $750,000 and $750,000, respectively, of federal awards and thus is not subject to the audit and reporting requirements of the Uniform Guidance.

ACCOUNTS RECEIVABLE - Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for uncollectible accounts, as needed. The allowance for doubtful accounts represents management's best estimate of probable losses inherent in the account receivable balance. Management determines the allowance based on known troubled accounts, historical experience and other available existing information. The bad debt expense for the years ended September 30, 2018 and 2017 was $1,120 and $992, respectively.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and

- Continued -
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

liabilities at the date of the financial statements, and the reported
amounts of revenue and expenses during the reporting period.
Accordingly, actual results may differ from those estimated amounts.

FAIR VALUE OF FINANCIAL INSTRUMENTS - The Station has a number of
financial instruments, none of which are held for trading purposes. The
Station estimates that the fair value of all financial instruments at
September 30, 2018 and 2017 does not differ materially from the aggregate
carrying values of its financial instruments recorded in the accompanying
statement of financial position. The estimated amounts have been
determined by the Station using available market information and
appropriate valuation methodologies. Considerable judgment is
necessarily required in interpreting market data to develop the estimates
of fair value, and, accordingly, the estimates are not necessarily
indicative of the amounts that the Station could realize in a current
market exchange.

CONCENTRATION OF CREDIT RISK - The Station maintains cash balances
at a financial institution located in Indiana. Accounts are insured by
the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of
September 30, 2018, the Station's uninsured cash balances totaled
$1,029,593. These balances fluctuate greatly during the year and can
exceed this $250,000 limit at other times during the year.

- Continued -
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ADVERTISING AND PROMOTION - Advertising and promotion costs are expensed as incurred. Advertising and promotion expense was $14,780 and $18,537 for the years ended September 30, 2018 and 2017.

VALUATION OF DONATED SERVICES AND MATERIALS - Donated services are recorded when the volunteer provides a specialized skill in which he/she is trained or employed to provide and the Station would otherwise need to purchase those services.

Donated services are valued at the market rate charged for the particular services being provided. Donated materials are valued based on the fair market value of the material as assigned by the donor.

INVESTMENTS - The Station has certificates of deposit with maturities over 90 days. These are classified as investments and are valued at fair market value.

TRADE REVENUE - The Station trades certain underwriting time for various goods and services. These transactions are recorded at the estimated fair value of the goods or services received. Revenue from trade transactions is recognized when the related underwriting spots are broadcast. The Station recorded $0 and $5,699 of trade revenues for the years ended September 30, 2018 and 2017, respectively.

- Continued -
NOTE 2 - INVESTMENTS

The Station held investments in the form of certificates of deposit at September 30, 2018 and 2017 which are valued at fair market value as follows:

September 30, 2018

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Origination Date</th>
<th>Maturity Date</th>
<th>Market Value</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peoples Bank</td>
<td>11/04/2017</td>
<td>05/04/2019</td>
<td>$78,735</td>
<td>0.25%</td>
</tr>
<tr>
<td>Total Certificates of Deposit</td>
<td></td>
<td></td>
<td>$78,735</td>
<td></td>
</tr>
</tbody>
</table>

September 30, 2017

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Origination Date</th>
<th>Maturity Date</th>
<th>Market Value</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peoples Bank</td>
<td>10/04/2016</td>
<td>11/04/2017</td>
<td>$78,735</td>
<td>0.70%</td>
</tr>
<tr>
<td>Total Certificates of Deposit</td>
<td></td>
<td></td>
<td>$78,735</td>
<td></td>
</tr>
</tbody>
</table>

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification 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 consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than the quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Station uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Station measures fair value using Level 1 inputs because they generally provide the most reliable

- Continued -
NOTE 2 - INVESTMENTS (Continued)

evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs were not available.

The Station's investments are reported at fair value in the accompanying statement of financial position as of September 30, 2018 and 2017:

**Fair Value Measurements at September 30, 2018**

<table>
<thead>
<tr>
<th>Financial Assets: Investments, at fair value</th>
<th>Fair Value</th>
<th>Quoted Market Prices (Level 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposit</td>
<td>$78,735</td>
<td>$78,735</td>
</tr>
<tr>
<td>Total</td>
<td>$78,735</td>
<td>$78,735</td>
</tr>
</tbody>
</table>

**Fair Value Measurements at September 30, 2017**

<table>
<thead>
<tr>
<th>Financial Assets: Investments, at fair value</th>
<th>Fair Value</th>
<th>Quoted Market Prices (Level 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposit</td>
<td>$78,735</td>
<td>$78,735</td>
</tr>
<tr>
<td>Total</td>
<td>$78,735</td>
<td>$78,735</td>
</tr>
</tbody>
</table>

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property, equipment and improvements are carried at cost if purchased or fair value if contributed. Depreciation expense is computed using straight-line methods over the estimated useful life of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and

- Continued -
NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

any gain or loss resulting from the transaction is recognized for the period. The cost of repairs and maintenance is charged to income as incurred; significant renewals and betterments are capitalized. The depreciation expense for the years ended September 30, 2018 and 2017 was $338,133 and $348,520, respectively.

At September 30, 2018 and 2017, property and equipment consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>Accumulated Depreciation</th>
<th>Net Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmitter - digital</td>
<td>$2,029,807</td>
<td>$1,472,502</td>
<td>$ 557,305</td>
</tr>
<tr>
<td>Transmitter - analog</td>
<td>1,049,667</td>
<td>781,954</td>
<td>267,713</td>
</tr>
<tr>
<td>Land improvements</td>
<td>98,993</td>
<td>74,459</td>
<td>24,534</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>397,524</td>
<td>348,253</td>
<td>49,271</td>
</tr>
<tr>
<td>Production equipment</td>
<td>2,138,858</td>
<td>1,882,796</td>
<td>256,062</td>
</tr>
<tr>
<td>Engineering equipment</td>
<td>1,483,406</td>
<td>1,428,013</td>
<td>55,393</td>
</tr>
<tr>
<td>Satellite transmitter at studio</td>
<td>106,823</td>
<td>106,823</td>
<td></td>
</tr>
<tr>
<td>Leasehold improvements -</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>radio</td>
<td>20,928</td>
<td>13,189</td>
<td>7,739</td>
</tr>
<tr>
<td>Equipment - radio</td>
<td>25,000</td>
<td>25,000</td>
<td></td>
</tr>
<tr>
<td>Office furniture/fixtures</td>
<td>130,639</td>
<td>130,639</td>
<td></td>
</tr>
<tr>
<td>Office machines</td>
<td>137,386</td>
<td>133,845</td>
<td>3,541</td>
</tr>
<tr>
<td>Vehicles</td>
<td>36,425</td>
<td>25,399</td>
<td>11,026</td>
</tr>
<tr>
<td>Land</td>
<td>61,244</td>
<td></td>
<td>61,244</td>
</tr>
<tr>
<td>Website</td>
<td>47,601</td>
<td>47,601</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$7,764,301</strong></td>
<td><strong>$6,470,473</strong></td>
<td><strong>$1,293,828</strong></td>
</tr>
</tbody>
</table>

- Continued -
NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Cost</th>
<th>2017 Accumulated Depreciation</th>
<th>2017 Net Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmitter - digital</td>
<td>$2,029,807</td>
<td>$1,376,277</td>
<td>$653,530</td>
</tr>
<tr>
<td>Transmitter - analog</td>
<td>$801,965</td>
<td>723,668</td>
<td>78,297</td>
</tr>
<tr>
<td>Land improvements</td>
<td>$98,993</td>
<td>68,497</td>
<td>30,496</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>$389,134</td>
<td>332,958</td>
<td>56,176</td>
</tr>
<tr>
<td>Production equipment</td>
<td>$2,114,914</td>
<td>1,768,139</td>
<td>346,775</td>
</tr>
<tr>
<td>Engineering equipment</td>
<td>$1,483,406</td>
<td>1,402,257</td>
<td>81,149</td>
</tr>
<tr>
<td>Satellite transmitter at studio</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasehold improvements - radio</td>
<td>$106,823</td>
<td>106,823</td>
<td></td>
</tr>
<tr>
<td>Equipment - radio</td>
<td>$20,928</td>
<td>11,794</td>
<td>9,134</td>
</tr>
<tr>
<td>Office furniture/fixtures</td>
<td>$130,639</td>
<td>130,302</td>
<td>337</td>
</tr>
<tr>
<td>Office machines</td>
<td>$137,386</td>
<td>131,061</td>
<td>6,325</td>
</tr>
<tr>
<td>Vehicles</td>
<td>$673,106</td>
<td>651,786</td>
<td>21,320</td>
</tr>
<tr>
<td>Land</td>
<td>$61,244</td>
<td></td>
<td>61,244</td>
</tr>
<tr>
<td>Website</td>
<td>$47,601</td>
<td>40,461</td>
<td>7,140</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,120,946</strong></td>
<td><strong>$6,769,023</strong></td>
<td><strong>$1,351,923</strong></td>
</tr>
</tbody>
</table>

In addition, agreements were entered into with the National Telecommunications and Information Administration of the United States Department of Commerce, in which they provided matching grant money for the purchase of various broadcasting equipment by the Station. The United States government retained a ten year security interest in such equipment to ensure that it continued to be used primarily for public broadcasting. The security interest commenced in 2007.

- Continued -
NOTE 4 - INTANGIBLE ASSET

During fiscal year 2009, the Station purchased an FCC (Federal Communications Commission) regulated radio license for $1,076,682. In accordance with generally accepted accounting principles, the radio license is not amortized since it has an indefinite life. Instead, this asset is tested annually for impairment. During the fiscal years ended September 30, 2018 and 2017, it was determined that there was no impairment and therefore, no change in the value of the radio license.

NOTE 5 - LONG-TERM DEBT

During the fiscal year ended September 30, 2009, the Station negotiated a new loan with Peoples Bank for the acquisition of WWLO-FM Radio. The terms of the loan were interest only until January 15, 2011. The Station negotiated the principal and interest terms of the note on or before January 15, 2011 and the debt was set to mature on January 16, 2017. As of May 24, 2017 the loan maturity date had been extended to August 16, 2018. The Station negotiated the loan maturity date and financial covenant requirements as of August 16, 2018. The new loan maturity date is August 16, 2021. The financial covenant has been eliminated from the agreement. The monthly principal and interest payment is $6,794.
NOTE 5 - LONG-TERM DEBT (Continued)

A schedule of the Station's long-term debt at September 30, 2018 and 2017 with the current maturity thereof follows:

<table>
<thead>
<tr>
<th>Payee/(Security)</th>
<th>Interest Rate</th>
<th>Payment Amount and Due Date</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peoples Bank/(All business assets)</td>
<td>4.50%</td>
<td>$6,794 per month including interest until January 2017</td>
<td>$536,208</td>
<td>$596,519</td>
</tr>
<tr>
<td>Ally Bank/(Vehicle)</td>
<td>3.94%</td>
<td>$433 per month including interest until February 2018</td>
<td>2,556</td>
<td></td>
</tr>
<tr>
<td>Peoples Bank/(Vehicle)</td>
<td>4.50%</td>
<td>$580 per month including interest until August 2019</td>
<td>6,737</td>
<td>12,745</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>542,945</td>
<td>611,820</td>
</tr>
<tr>
<td>Less current maturities</td>
<td></td>
<td></td>
<td>62,691</td>
<td>605,583</td>
</tr>
<tr>
<td>Net long-term debt</td>
<td></td>
<td></td>
<td>$480,254</td>
<td>$6,237</td>
</tr>
</tbody>
</table>

Long-term debt matures as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 62,691</td>
<td>58,817</td>
<td>421,437</td>
<td>$542,945</td>
</tr>
</tbody>
</table>

NOTE 6 - UNRELATED BUSINESS INCOME TAXES

The Station pays income taxes on income earned through activities unrelated to its exempt purposes, which includes the use of its production truck. There was no unrelated business taxable income for the years ended September 30, 2018 and 2017.
NOTE 7 - RETIREMENT PLANS

The Station maintains a non-contributory defined contribution plan covering all employees after a specific period of service. Contributions are provided for and funded in accordance with the plan document. Contributions to this plan for the years ended September 30, 2018 and 2017 were $-0- and $-0-, respectively.

NOTE 8 - BUILDING LEASE

In October 2015, the Station signed a new lease for the building and additional office space. The lease term is four years, expiring October 31, 2019, with one four-year renewal option available. The monthly rent for the year ended September 30, 2017 was $5,908.

In June 2018, the Station signed a new lease for the building. The lease term is three years, expiring May 31, 2021. The monthly rent for the current three year term is $4,408.

The Station also received an in-kind contribution from TJ Property, Inc. for lease of the building in the amount of $31,000 and $37,100 for the years ended September 30, 2018 and 2017.

Total office space and production facility rental expenses for the years ended September 30, 2018 and 2017 were $90,092 and $108,000, respectively.

- Continued -
NOTE 8 - BUILDING LEASE (Continued)

The Station has the following lease obligation in future years:

For the year ended
September 30,

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$52,896</td>
</tr>
<tr>
<td>2020</td>
<td>52,896</td>
</tr>
<tr>
<td>2021</td>
<td>35,264</td>
</tr>
<tr>
<td>Total</td>
<td>$141,056</td>
</tr>
</tbody>
</table>

NOTE 9 - VEHICLE LEASES

The Station leased a vehicle through February 28, 2017 that required monthly payments of $466. Total lease expense for the years ended September 30, 2018 and 2017 was $-0- and $2,330, respectively.

NOTE 10 - OPERATING LEASE

During 2016, the Station entered into a copier lease. The terms of the lease call for rental payments of $727 through June 22, 2021. The total copier lease expense for the years ended September 30, 2018 and 2017 was $8,724 and $8,724, respectively. Future minimum rents under this lease are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$8,724</td>
</tr>
<tr>
<td>2020</td>
<td>8,724</td>
</tr>
<tr>
<td>2021</td>
<td>6,543</td>
</tr>
<tr>
<td>Total</td>
<td>$23,991</td>
</tr>
</tbody>
</table>

In September 2018, the Station entered into a postage equipment lease. The terms of the lease call for rental payments of $141 through
NOTE 10 - OPERATING LEASE (Continued)

September 2022. The total lease expense for the year ended September 30, 2018 was $141. Future minimum rents under this lease are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$1,692</td>
</tr>
<tr>
<td>2020</td>
<td>1,692</td>
</tr>
<tr>
<td>2021</td>
<td>1,692</td>
</tr>
<tr>
<td>2022</td>
<td>1,551</td>
</tr>
<tr>
<td>Total</td>
<td>$6,627</td>
</tr>
</tbody>
</table>

NOTE 11 - TOWER LEASES

Effective June 1, 2011, the Station executed a seven-year lease for tower space. The lease requires a monthly payment of $13,995 with annual increases of 3.5% effective every June 1st. In June, 2018, the Station opted to renew the lease for an additional seven year term. The lease expires in 2025, but the Station has the right to renew the lease for two additional seven-year terms.

The Station is leasing tower space over a five-year term expiring in 2022. The lease requires monthly payments of $1,575. The Station has the right to renew this lease for two additional terms of five years each with a 5% maximum increase per renewal term.

Total lease expense for the years ended September 30, 2018 and 2017 was $182,598 and $177,436, respectively.

Minimum future lease payments over the term of the leases are as follows:

- Continued -
NOTE 11 - TOWER LEASES (Continued)

For the year ended September 30,

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$188,800</td>
</tr>
<tr>
<td>2020</td>
<td>176,037</td>
</tr>
<tr>
<td>2021</td>
<td>200,904</td>
</tr>
<tr>
<td>2022</td>
<td>202,551</td>
</tr>
<tr>
<td>2023</td>
<td>194,968</td>
</tr>
<tr>
<td>Thereafter</td>
<td>339,424</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,302,684</strong></td>
</tr>
</tbody>
</table>

NOTE 12 - RELATED PARTY TRANSACTIONS

The Station received professional services from a company that is owned by a board member. During the fiscal year ended September 30, 2018 and 2017, amounts billed to the Station by the related party totaled $20,313 and $45,715, respectively.

NOTE 13 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 25, 2019, which is the date that the accompanying financial statements were available for issuance.