

**ATLANTIC GATEWAY
COMMUNICATIONS, INC.**

Independent Auditors' Report

**Financial Statements
For the Period Ended December 31, 2019**

ATLANTIC GATEWAY COMMUNICATIONS, INC.

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Independent Auditors' Report

To the Board of Directors
Atlantic Gateway Communications, Inc.
Rockville, Maryland

We have audited the accompanying financial statements of the Atlantic Gateway Communications, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses, and cash flows for the period 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

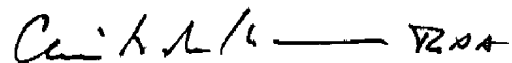
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

Our 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 the Atlantic Gateway Communications, Inc. as of December 31, 2019, 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.

A handwritten signature in black ink, appearing to read "Cynthia A. [unclear] CPA". The signature is written in a cursive style with a horizontal line extending from the end.

October 13, 2020
Gaffney, SC

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Statement of Financial Position

As of December 31, 2019

ASSETS

Current Assets

Cash	\$	5,430,121
Investments		1,607
Pledges and Accounts Receivable, Net		26,005
Prepaid Expense		110,859
		<u>5,568,592</u>

Plant Assets

Equipment and Leasehold Improvements, Net		<u>2,550,169</u>
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Non-Current Assets

Goodwill		5,547,662
Deposits		115,023
		<u>5,662,685</u>

Total Assets		<u><u>13,781,446</u></u>
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LIABILITIES

Current Liabilities

Accounts Payable		140,823
Current Portion of Long-Term Debt		197,398
		<u>338,221</u>

Long-Term Debt

Long-Term Note Payable		<u>9,583,037</u>
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Total Liabilities		<u>9,921,258</u>
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NET ASSETS

Without Donor Restrictions		3,860,188
With Donor Restrictions		-
		<u>3,860,188</u>

Total Liabilities and Net Assets	\$	<u><u>13,781,446</u></u>
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The accompanying notes are an integral part of the financial statements.

ATLANTIC GATEWAY COMMUNICATIONS, INC.
Statement of Activities
For the Period Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS WITHOUT DONOR RESTRICTIONS			
Support without Donor Restrictions			
Listener Contributions	\$ 6,317,466	31,923	6,349,389
Underwriting	249,588	-	249,588
Interest Income	61,030	-	61,030
Other Income	2,645	-	2,645
Released From Restrictions	942,625	(942,625)	-
Total Revenues and Gains without Donor Restrictions	7,573,354	(910,702)	6,662,652
EXPENSES AND LOSSES			
Program Service Expenses			
Programming, Production & Information	4,116,314	-	4,116,314
Total Program Service Expenses	4,116,314	-	4,116,314
Supporting Service Expenses			
Management & General	487,516	-	487,516
Fundraising	321,288	-	321,288
Total Supporting Service Expenses	808,804	-	808,804
Total Expenses and Losses	4,925,118	-	4,925,118
Increase (Decrease) in Net Assets	2,648,236	(910,702)	1,737,534
Net Assets, Beginning of Year	1,211,952	910,702	2,122,654
Net Assets, End of Year	\$ 3,860,188	-	3,860,188

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

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Statement of Functional Expense
For the Year Ended December 31, 2019

	<u>Program Service</u>	<u>Supporting Services</u>			<u>Total 2019</u>
	Programing Production & Information	Management and General	Fundraising	Total Supporting Services	
Salaries and Wages	\$ 1,315,789	272,533	154,214	426,747	1,742,536
Employee Benefits	332,751	68,921	39,000	107,921	440,672
Professional Fees	-	117,367	-	117,367	117,367
General Supplies and Expense	124,567	445	91	536	125,103
Duplicating	73,376	-	-	-	73,376
Rent	112,320	-	-	-	112,320
Storage Rental	6,535	-	-	-	6,535
Equipment	38,645	-	-	-	38,645
Software	102,598	233	3,500	3,733	106,331
Membership & Dues	8,133	370	-	370	8,503
Subscriptions	16,351	443	-	443	16,794
Bank Fees	149,657	-	-	-	149,657
Interest	435,869	-	-	-	435,869
Bad Debt Expense	90,072	-	-	-	90,072
Conferences, Conventions and Meetings	20,729	870	681	1,551	22,280
Events & Activities	21,582	720	-	720	22,302
Gifts	214	-	221	221	435
Misc	5,703	-	-	-	5,703
Contract Services - General	440,389	-	76,945	76,945	517,334
Consultants	29,815	-	-	-	29,815
Layout & Design	25,960	-	-	-	25,960
Telephone - Wireless	10,232	-	-	-	10,232
Telephone - Internet T1's	83,568	-	-	-	83,568
Travel	16,860	4,493	33	4,526	21,386
Travel 2 (Non Staff)	26,192	-	15,396	15,396	41,588
Vehicle Gas and Maintenance	9,149	85	-	85	9,234
Insurance	38,886	-	-	-	38,886
Advertising	240,268	-	-	-	240,268
Postage & Mailing	58,239	-	25,440	25,440	83,679
Furniture	935	-	-	-	935
Depreciation	172,555	21,036	5,619	26,655	199,210
License Fee	28,943	-	-	-	28,943
Research	78,182	-	148	148	78,330
Honorariums	1,250	-	-	-	1,250
	<u>\$ 4,116,314</u>	<u>487,516</u>	<u>321,288</u>	<u>808,804</u>	<u>4,925,118</u>

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

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Statement of Cash Flows

For the Period Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Listener Contributions	\$ 6,351,901
Cash Received from Underwriting	341,451
Cash Received from Investment Earnings	61,030
Cash Received from Other Sources	2,645
Cash Paid to Vendors and Employees	<u>(4,798,071)</u>
Net Cash Provided by Operating Activities	<u>1,958,956</u>

INVESTING ACTIVITIES

Purchases of Capital Assets	<u>(2,414,983)</u>
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FINANCING ACTIVITIES

Principal Paid on Long-Term Debt	<u>(165,872)</u>
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Increase (Decrease) in Cash and Cash Equivalents (621,899)

Cash and Cash Equivalents, Beginning of Year 6,052,020

Cash and Cash Equivalents, End of Year 5,430,121

Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities

Change in Net Assets 1,737,534

Adjustments to Reconcile Change in Net Assets to Net Assets

Used by Operating Activities:

Depreciation Expense 199,210

(Increase) Decrease in Receivables 94,375

(Increase) Decrease in Prepaid Expense (110,858)

Increase (Decrease) in Accounts Payable 38,695

Net Cash Provided by Operating Activities \$ 1,958,956

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

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements
For the Period Ended December 31, 2019

NOTE 1 - ORGANIZATION DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Description

Atlantic Gateway Communications, Inc. (Organization) is a not-for-profit corporation, which owns and operates a non-commercial radio station, and broadcasts from 2099 Gaither Road, Rockville, Maryland. The Organization began operations in 2018 and offers a variety of music and community-oriented broadcasts. The Organization's purpose is to support and provide non-commercial broadcasting activities.

The Organization receives most of its revenue in the form of contributions from listeners residing in its broadcast area.

The Organization is exempt from Federal, State and Local income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding sections of applicable state and local codes; except for taxes on Unrelated Business Income as described in Sections 511-514 of the Internal Revenue Code.

Summary of Significant Accounting Policies

- (a) The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification.

The significant policies are described below to enhance the usefulness of the financial statements.

- (b) 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:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

The part of net assets that is not subject to donor-imposed restrictions.

Board Designated Net Assets

Net assets without donor restrictions subject to self-imposed limits by action of the governing board. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses. The Organization does not have this type of net asset at December 31, 2019.

Net Assets with Donor Restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements
For the Period Ended December 31, 2019

NOTE 1 - ORGANIZATION DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Summary of Significant Accounting Policies, Continued

Donor Restricted Endowment Fund

An endowment fund that is created by a donor stipulation requiring investments of a gift in perpetuity or for a specified term. Some donors or laws may require that a portion of income, gains, or both be added to the gift and invested subject to similar restrictions. The Organization does not have this type of net asset at December 31, 2019.

Donor-Restricted Support

Donor-restricted revenues or gains from contributions that increase net assets with donor restrictions (donors include other types of contributors, including makers of certain grants).

(c) Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by donor for specific purposes are reported as support with donor restrictions that increases the net asset class. It is the policy of the Organization to first spend net assets with donor restrictions, as appropriate.

The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished 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. The Organization reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service

(d) Property, Plant and Equipment and Accumulated Depreciation

Fixed assets are recorded at cost when purchased or at fair market value at date of gift. All equipment costing \$2,500 or more with a life of at least three years is capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Depreciation expense is included in operating expense reported by various program and supporting services in the statement of activities without donor restrictions.

(e) Cash and Cash Equivalents

Cash equivalents are highly-liquid assets, which are readily convertible to cash and have an original maturity date of less than three months.

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2019

NOTE 1 - ORGANIZATION DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Summary of Significant Accounting Policies, Continued

(f) Fair Value of Financial Instruments

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures regarding the fair value measurements of certain financial instruments. ASC 820 addresses acceptable valuation techniques and establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- *Level 1 inputs* are unadjusted quoted prices for identical assets and liabilities in active markets to which the reporting entity has access.
- *Level 2 inputs* are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. They include quoted prices for similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable (for example, interest rates); and inputs that are derived from or corroborated by observable market data.
- *Level 3 inputs* are unobservable and are significant to the fair value measurement.

ASC 820 expands disclosures about fair value measurements for certain financial assets and liabilities.

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The carrying amounts of cash, investments, receivables and accounts payable approximate fair value because of the relatively short maturity of these financial instruments, or otherwise they have been discounted appropriately to present fair value. The fair value of long-term debt is based on quoted market prices for the same or similar issues or on the current rates offered to the Organization for debt of the same remaining maturities.

(g) Current Assets and Liabilities

Assets and liabilities are classified as current or long-term depending on their characteristics. This excludes from current assets cash and claims to cash that are restricted to use for other than current operations, committee allocated for the acquisition or construction of plant assets or for the liquidation of debt or held as agent for others. This excludes from current liabilities the long-term portion of all debt, payable within the next fiscal year to the extent covered by designated liquid assets or amounts held as fiscal agent for others.

(h) Fundraising Costs

The costs of fund-raising activities are reported in the supporting service functional category and do not include management and general or other program costs of the Organization. The costs of incidental fund-raising activities conducted in conjunction with other program activities are not separately reported. Incidental fund-raising costs are included in the related program expenditures of the appropriate functional category.

Total fund-raising expense for the year ended December 31, 2019 amounted to \$321,288. Fund-raising expenses related to the annual campaign and various other campaigns during the year constitute the majority of the total expense. The ratio of expenses to amounts raised has not been determined.

ATLANTIC GATEWAY COMMUNICATIONS, INC.
Notes To The Financial Statements, Continued
For the Period Ended December 31, 2019

NOTE 1 - ORGANIZATION DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Summary of Significant Accounting Policies, Continued

(i) Use of Estimates

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

(j) Compensated Absences

There is no material cash value that attaches to unused vacation, holiday and sick time and therefore, there is no accrual made in these financial statements for such absences.

(k) Advertising Costs

Costs incurred for producing and communicating advertising and promotion are expensed when incurred, which is generally when the advertising and promotion first take place. Advertising and promotion expenses for the year ended September 30, 2019 was \$0.

(l) Allocation of Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management in an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Employee Benefits	Time and Effort
Insurance	Time and Effort
Payroll Tax Expense	Time and Effort
Rent Expense	Square Footage
Repairs and Maintenance	Time and Effort
Salaries and Wages	Time and Effort
Utilities	Time and Effort

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2019

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents at year end consist of the following:

	Carrying Amount	Bank Balance
Petty Cash on Hand	\$ 500	-
Checking	1,614,198	1,278,346
Savings, Interest Bearing	1,605,266	1,605,267
Columbia Union Revolving Fund	2,210,157	2,210,157
Total Cash	<u>\$ 5,430,121</u>	<u>5,093,770</u>

The Organization maintains cash balances at two separate banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC), which covers the aggregate balance insured up to at least the Standard Maximum Deposit Insurance Amount (SMDIA) of \$250,000, per depositor, at each separately chartered Insured Depository Institution (IDI). Cash balances exceeded the federally insured limits at certain times during the year and at year-end (\$2,633,613). The Columbia Union Revolving Fund cash, a non-certificated note that bears interest at 2.00% per annum and due 90 days from demand, is considered to be a cash equivalent.

NOTE 3 - ACCOUNTS RECEIVABLE

Pledges receivable are related primarily to the three fundraisers held by the Organization each year. As a general rule, an account will be considered uncollectible after 14 months from the time of the pledge is made or the time of the first billing. At 14 months, the receivable will be written off. The full amount of \$61,826 reduced by an allowance for uncollectible amounts is expected to be collected during the next year. They have not been discounted to present value due to their current status. The receivable details are as follows:

Pledges Receivable	\$ 61,826
Less: Allowance for Uncollectible Pledges	(40,821)
Net Receivable Pledges	<u>21,005</u>
Underwriting and Other Receivables (Net)	<u>5,000</u>
Total Accounts Receivable	<u>\$ 26,005</u>

Total Future Payments:	
2020	\$ 26,005
2021	-
2022	-
2023	-
2024	-
Total	<u>\$ 26,005</u>

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2019

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

	Balance 12/31/2018	Additions	Retirements	12/31/2019
Leasehold Improvements - Build Out	\$ -	1,318,363	-	1,318,363
Equipment	298,192	1,096,620	-	1,394,812
Tower	21,057	-	-	21,057
Vehicles	75,152	-	-	75,152
Total Plant Assets	<u>\$ 394,401</u>	<u>2,414,983</u>	<u>-</u>	<u>2,809,384</u>
Accumulated Depreciation				
Leasehold Improvements - Build Out	\$ -	36,621	-	36,621
Equipment	41,490	131,145	-	172,635
Tower	1,053	4,211	-	5,264
Vehicles	17,462	27,233	-	44,695
Total Accumulated Depreciation	<u>60,005</u>	<u>199,210</u>	<u>-</u>	<u>259,215</u>
Net Plant Assets	<u>\$ 334,396</u>	<u>2,215,773</u>	<u>-</u>	<u>2,550,169</u>

Depreciation expense amounted to \$199,210 for the current fiscal period.

NOTE 5 - GOODWILL

The amount that was paid for the assets and rights together with related payables and other obligations of Columbia Union College Broadcasting, Inc., the purchase consideration, in excess of the net value of those assets, is the worth of goodwill, which is recorded in the books and reflected in these financial statements as such. Management evaluates goodwill each year for impairment. Impairment exists when a company's carrying value of goodwill exceeds its fair value. At December 31, 2019, the Company had positive equity and the Company elected to perform a qualitative assessment to determine if it was more likely than not that the fair value of the Company exceeded its carrying value, including goodwill. The qualitative assessment indicated that it was more likely than not that the fair value of the Company exceeded its carrying value, resulting in no impairment. Therefore as of the date of issuance of this report, no issues or events have come to the attention of management that would suggest that there has been any significant impairment, and has left goodwill at its original value of \$5,547,662.

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2019

NOTE 6 – LONG-TERM DEBT

Long-term debt consists of a note payable to Washington Adventist University, Inc. entered into by the company for the purchase of the net assets and operation of the radio station WGTS / Columbia Union College Broadcasting, Inc. The note originally provided for monthly payments of principal and interest at 4.25% per annum over a thirty-year period beginning in October, 2018 and maturing September, 2048. As provided in the loan agreement, effective September 1, 2019 the interest rate was changed to 4.75% per annum, and the monthly payment amount was adjusted accordingly.

<u>December 31, 2019</u>	Note Principal	Note Interest	Total
2020	\$ 197,398	426,949	624,347
2021	163,301	461,047	624,348
2022	171,230	453,117	624,347
2023	179,542	444,805	624,347
2024	188,259	436,088	624,347
2025-2029	1,140,392	1,981,345	3,121,737
2030-2034	1,445,423	1,676,314	3,121,737
2035-2039	1,832,047	1,289,690	3,121,737
2040-2044	2,322,084	799,653	3,121,737
2045-2048	2,140,759	200,544	2,341,303
	<u>\$ 9,780,435</u>	<u>8,169,552</u>	<u>17,949,987</u>

This note is secured by a continuing first position security interest in all tangible and intangible personal property the company owns, including a security interest in the general intangibles of the Station, the proceeds of the potential sale of the Federal Communications Commission (FCC) licenses for the Station, together with all equipment and property hereafter acquired.

NOTE 7 - OPERATING LEASES

Office Space - The Organization operates out of space owned by WAU pursuant to a five year lease agreement providing for monthly payments of \$4,166.67. Future minimum payments under this lease agreement are as follows:

2020	\$ 50,000
2021	50,000
2022	50,000
2023	37,500
Total	<u>\$ 187,500</u>

Copier Equipment – The Organization leases copier equipment under a lease agreement that provides for monthly payments of \$450.62. The lease is for 60 months and commenced August 20, 2019. Future minimum lease payments under this lease agreement are as follows:

2020	\$ 5,407
2021	5,407
2022	5,407
2023	5,407
2024	3,156
Total	<u>\$ 24,784</u>

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2019

NOTE 7 - OPERATING LEASES, Continued

GWETA Antenna - The Organization is the lessee of an antenna located on a tower owned by GWETA-FM, Washington, DC. The rights and obligations under this lease were acquired with the asset purchase. The original term of the lease was 15 years commencing May 20, 2002 and was renewable and renewed for one additional term of five years. An Addendum to the lease agreement became effective on April 1, 2007 with an amended date of February 1, 2004. Rent during the renewed term is \$4,900 per month. Future minimum lease payments under this lease agreement are as follows:

<u>December 31, 2019</u>	<u>Minimum Lease Payments</u>
2020	\$ 58,800
2021	58,800
2022	24,500
Total	<u>\$ 142,100</u>

Total rent expense for the period ending December 31, 2019 for these three rental agreements was \$111,053.

NOTE 8 - CONCENTRATIONS

The Organization is licensed to broadcast by the Federal Communications Commission (FCC). This license is subject to periodic review and renewal by the FCC.

NOTE 9 - GAIN CONTINGENCIES

The GWETA Antenna lease agreement described in Note 7 permits GWETA to make the new antenna available to third parties for the transmission operations of additional television or radio broadcasts not licensed to GWETA or the Organization. In the event the third party operates an FM station that also uses the new antenna and associated transmission equipment, GWETA will reimburse the Organization one third of the expenses and GWETA will also contribute an additional one third of the costs of operating and maintaining the antenna and associated equipment.

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2019

NOTE 10 - WORKING CAPITAL AND LIQUIDITY

WORKING CAPITAL	
Current Assets	\$ 5,568,592
Less: Current Liabilities	338,221
Working Capital	<u>5,230,371</u>
LIQUIDITY	
Liquid Assets	
Cash	5,430,121
Investments	1,607
Total Liquid Assets	<u>5,431,728</u>
Commitments	
Current Liabilities	<u>338,221</u>
Liquid Assets Excess	<u>\$ 5,093,507</u>

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments. In addition to financial assets available to meet general expenses over the next 12 months, the Organization operates under a general budget plan and anticipates collecting sufficient revenue to cover general expenses.

NOTE 11 - MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates. The estimates and assumptions affect the reported amounts of assets and liabilities and 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. Examples of these estimates include depreciation allowance and expense, and bad debt allowance and expense.

NOTE 12 - CONTINGENT LIABILITIES

Due to the nature of the Organization's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may be the result of litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies if the related liability has not been recorded, yet a loss is reasonable possible. Guarantees of other's debts are loss contingencies, however, even if the probability of loss is remote. The Organization maintains insurance against certain loss contingencies with liability policies and physical damage coverage. At the date of this report, management is not aware of any contingencies that will result in any material loss to the Organization.

NOTE 13 - DONATED SERVICES

The fair value of donated services for the period ended December 31, 2019 has not been quantified or determined, and is considered to be immaterial in amount.

ATLANTIC GATEWAY COMMUNICATIONS, INC.
Notes To The Financial Statements, Continued
For the Period Ended December 31, 2019

NOTE 14 – RELATED PARTY/RELATED PARTY TRANSACTIONS

The Organization has operated as tax exempt under the provisions of Section 501(c)(3) of the Internal Revenue Code under the group exemption of the General Conference of Seventh-day Adventists, until the Organization received tax exempt status from the Internal Revenue Service in its own right in a letter dated December 11, 2019, and retroactive to its formation February 14, 2018.

NOTE 15 – INCOME TAXES

The Organization is exempt from Federal and State income tax under Section 501(c)(3) of the Internal Revenue Code which has also been adopted by the State.

The Organization adopted the accounting guidance concerning accounting for uncertain tax positions. The Organization has no uncertain tax positions for which reserves would be required.

The Organization files IRS form 990 information returns in the United States.

NOTE 16 – LEASE OBLIGATION

On November 1, 2018, the Organization entered into a facilities lease agreement for station operations and broadcast studios at a new location. This lease is for an initial term of one hundred thirty months beginning in May, 2020, for an initial monthly rental of \$31,406.67 and increasing each year at 2.5% compounded. A rental deposit and security deposit were paid on execution of this lease in the total amount of \$109,923. Future minimum payments under this lease by fiscal year are as follows:

<u>Year Ended</u> <u>Decemer 31</u>	<u>Annual</u> <u>Payments</u>
2020	\$ 251,253
2021	383,162
2022	392,762
2023	402,634
2024	412,684
2025	422,958
2026	433,501
2027	444,315
2028	455,396
2029	466,748
2030	478,369
2031	<u>80,379</u>
Total Minimum Payments	<u>\$ 4,624,161</u>

ATLANTIC GATEWAY COMMUNICATIONS, INC.
Notes To The Financial Statements, Continued
For the Period Ended December 31, 2019

NOTE 17 – NET ASSETS WITH DONOR RESTRICTION

Donor restricted net assets as of December 31, 2019 were \$0.

Releases from Donor Restricted Net Assets for the year ended December 31, 2019 were \$0.

Release from restriction:

Subject to expenditure for specific purpose	
Broadcasting & Production	<u>\$ 942,625</u>

NOTE 18 – OTHER MATTERS

At the end of the prior year, management had estimated that the cost of the move to its new facilities in Rockville, MD, including the build out of the new facilities, new furniture, fixtures and equipment, computer and broadcast equipment, lease, utility and other deposits along with other related relocation expenses would be between \$2.5 million and \$2.7 million. As of the date of release of the prior year financial statements, approximately \$2.1 million of this cost had been incurred. Management was careful to provide for an accumulation of funds sufficient to accomplish this move without incurring any additional debt. As of the end of the current year, the move was complete using the funds on hand.

Due to the COVID 19 Pandemic that materialized subsequent to the balance sheet date, December 31, 2019, Atlantic Gateway Communications, Inc., is evaluating what effect it will have on the operation of the radio station with respect to revenues and support, the collectability of receivables, the ability to obtain necessary materials, services and supplies, the health and stability of the workforce and volunteers, and the ability to be mobile, access service and event locations, to do community engagement activities, and continue to provide essential services at an appropriate level, all within the guidelines and mandates of federal, state and local governments and officials. At this time, as of the date of this report, the management is unsure of the effect of this circumstance and will be monitoring and evaluating on an ongoing basis to determine the effect of this on its ongoing operations, and the value of its assets and obligations long term.

NOTE 19 – EVALUATIONS OF SUBSEQUENT EVENTS

Management has, through October 13, 2020, the date of issuance of the financial statements, evaluated whether events have occurred or circumstances exist subsequent to the date of the financial statement, December 31, 2019, that would have materially significant effect on the carrying amounts of assets or liabilities, including estimates, and no such items have been identified.