

**ATLANTIC GATEWAY
COMMUNICATIONS, INC.**

Independent Auditors' Report

**Financial Statements
For the Period Ended December 31, 2021**

ATLANTIC GATEWAY COMMUNICATIONS, INC.

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Atlantic Gateway Communications, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the period then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atlantic Gateway Communications, Inc. as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Atlantic Gateway Communications, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Atlantic Gateway Communications, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

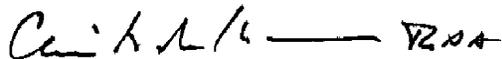
Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Atlantic Gateway Communications, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Atlantic Gateway Communications, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



June 24, 2022
Gaffney, SC

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Statement of Financial Position

As of December 31, 2021

ASSETS

Current Assets

Cash	\$	8,652,856
Investments		12,333
Pledges and Accounts Receivable, Net		71,941
Other Receivable		7,562
Prepaid Expense		63,406
		<u>8,808,098</u>

Plant Assets

Equipment and Leasehold Improvements, Net		<u>2,405,842</u>
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Non-Current Assets

Goodwill		5,938,928
Deposits		78,516
		<u>6,017,444</u>

Total Assets		<u><u>17,231,384</u></u>
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LIABILITIES

Current Liabilities

Accounts Payable		113,212
Current Portion of Long-Term Debt		179,542
		<u>292,754</u>

Long-Term Debt

Long-Term Note Payable		9,266,362
		<u>9,266,362</u>

Total Liabilities		<u>9,559,116</u>
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NET ASSETS

Without Donor Restrictions

Designated		3,180,141
Undesignated		4,492,127
		<u>7,672,268</u>

Total Liabilities and Net Assets	\$	<u><u>17,231,384</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS			
Support			
Listener Contributions	\$ 7,321,755	734,528	8,056,283
Underwriting	229,664	-	229,664
Interest Income	54,757	-	54,757
Gain on Disposal of Asset	3,147	-	3,147
Paycheck Protection Program Loan Forgiven	418,510		418,510
Other Income	4,796	-	4,796
Net Assets Released from Restriction	734,528	(734,528)	-
Total Revenues and Gains	<u>8,767,157</u>	<u>-</u>	<u>8,767,157</u>
EXPENSES AND LOSSES			
Program Service Expenses			
Programming, Production & Information	5,370,464	-	5,370,464
Total Program Service Expenses	<u>5,370,464</u>	<u>-</u>	<u>5,370,464</u>
Supporting Service Expenses			
Management & General	1,015,861	-	1,015,861
Fundraising	635,792	-	635,792
Total Supporting Service Expenses	<u>1,651,653</u>	<u>-</u>	<u>1,651,653</u>
Total Expenses and Losses	<u>7,022,117</u>	<u>-</u>	<u>7,022,117</u>
Increase (Decrease) in Net Assets	1,745,040	-	1,745,040
Net Assets, Beginning of Year	<u>5,927,228</u>	<u>-</u>	<u>5,927,228</u>
Net Assets, End of Year	<u>\$ 7,672,268</u>	<u>-</u>	<u>7,672,268</u>

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, 2021

	<u>Program Service</u>	<u>Supporting Services</u>			<u>Total 2021</u>
	Programing Production & Information	Management and General	Fundraising	Total Supporting Services	
Salaries and Wages	\$ 1,402,966	500,675	207,174	707,849	2,110,815
Employee Benefits	483,612	164,024	70,760	234,784	718,396
General Supplies and Expense	231,489	-	63	63	231,552
Duplicating	53,117	-	-	-	53,117
Rent	350,650	134,072	30,940	165,012	515,662
Utilities	5,218	-	-	-	5,218
Storage Rental	11,028	-	-	-	11,028
Equipment/Furniture Supplies	33,204	1,377	-	1,377	34,581
Software	118,125	20	-	20	118,145
Membership & Dues	15,075	79	-	79	15,154
Subscriptions	27,658	749	22	771	28,429
License Fee	315,946	-	-	-	315,946
Fiscal Charges / Credit Card Processing	191,131	-	-	-	191,131
Interest	453,118	-	-	-	453,118
Bad Debt Expense	7,180	-	-	-	7,180
Conferences, Conventions and Meetings	19,017	733	-	733	19,750
Honorariums	24,000	-	-	-	24,000
Events and Activities	13,816	-	500	500	14,316
Miscellaneous	1,528	-	-	-	1,528
Contract Services - General	388,002	51,320	52,070	103,390	491,392
Consultants	42,080	-	237,253	237,253	279,333
Layout & Design	15,020	-	1,185	1,185	16,205
Research	95,651	-	-	-	95,651
Professional Fees	36,000	110,616	-	110,616	146,616
Telephone - Internet T1's	73,539	-	-	-	73,539
Travel	37,950	-	-	-	37,950
Travel 2 (Non Staff)	66,295	-	2,200	2,200	68,495
Vehicle Gas and Maintenance	10,514	-	-	-	10,514
Insurance	58,958	18,039	7,114	25,153	84,111
Advertising	283,515	-	-	-	283,515
Postage & Mailing	164,198	-	17,151	17,151	181,349
Depreciation	340,864	34,157	9,360	43,517	384,381
	<u>\$ 5,370,464</u>	<u>1,015,861</u>	<u>635,792</u>	<u>1,651,653</u>	<u>7,022,117</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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Listener Contributions	\$ 8,023,088
Cash Received from Underwriting	245,214
Cash Received from Investment Earnings	54,757
Cash Received from Disposal of Assets	23,000
Cash Received from Other Sources	4,796
Cash Paid to Vendors and Employees	(6,545,716)
Net Cash Provided by Operating Activities	<u>1,805,139</u>

INVESTING ACTIVITIES

Purchases of Capital Assets	(402,090)
Purchases of Goodwill	(391,266)
	<u>(793,356)</u>

FINANCING ACTIVITIES

Principal Paid on Long-Term Debt	<u>(171,230)</u>
Increase (Decrease) in Cash and Cash Equivalents	840,553
Cash and Cash Equivalents, Beginning of Year	<u>7,812,303</u>
Cash and Cash Equivalents, End of Year	<u><u>8,652,856</u></u>

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

Change in Net Assets	1,745,040
Adjustments to Reconcile Change in Net Assets to Net Assets Used by Operating Activities:	
Depreciation Expense	384,381
Cost of Assets Disposed	19,853
(Increase) Decrease in Receivables	(25,208)
(Increase) Decrease in Prepaid Expense	68,363
Increase (Decrease) in PPP Loan Payable	(418,510)
Increase (Decrease) in Accounts Payable	31,220
Net Cash Provided by Operating Activities	<u>\$ 1,805,139</u>

Non-Cash Transactions:

Forgiveness of Paycheck Protection Loan	\$ 418,510
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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, 2021

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 two non-commercial radio stations, and broadcasts from 2099 Gaither Road, Rockville, Maryland. The Organization began operations in 2018, with the mission to encourage everyone we encounter to take one step closer to Christ. Over 400,000 weekly listeners depend on the powerful FM radio signals of WGTS 91.9 across the entire Washington DC metro region from Frederick, Maryland to Fredericksburg, Virginia and of WGBZ 88.3 along the Eastern Shore. As the primary media ministries of Atlantic Gateway Communications, Inc. a non-profit 501(c)3 organization, the award-winning radio stations are funded by tax-deductible donations mainly from individuals. This allows the ministry to be a constant destination of hope and encouragement on-air, online, and on the ground.

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 has net assets designated in this manner for operating reserves, depreciation funding and strategic initiatives at December 31, 2021.

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements
For the Period Ended December 31, 2021

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

Summary of Significant Accounting Policies, Continued

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.

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, 2021.

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 designated for future periods or are otherwise restricted by the 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.

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2021

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

Summary of Significant Accounting Policies, Continued

(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.

(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.

(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 fundraising 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 fundraising activities conducted in conjunction with other program activities are not separately reported. Incidental fundraising costs are included in the related program expenditures of the appropriate functional category.

Total fundraising expense for the year ended December 31, 2021 amounted to \$635,792. Fundraising 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, 2021

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 December 31, 2021 was \$283,515.

(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

(m) Revenue Recognition

In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The radio station has adopted this standard as of the beginning of fiscal year 2019 and there has been no material impact to the financial statements as a result of adoption.

Listener support for Underwriting is deemed to result in performance obligations and is treated as a contract in the radio station's financial statements. Underwriting revenue is recognized in the fiscal year in which programming is aired. As of the fiscal year end all such revenue was considered as earned, as no material amounts were unearned or deferred.

ATLANTIC GATEWAY COMMUNICATIONS, INC.
Notes To The Financial Statements, Continued
For the Period Ended December 31, 2021

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	3,101,357	2,626,345
Savings, Interest Bearing	1,413,527	1,413,527
Columbia Union Revolving Fund	<u>4,137,472</u>	<u>4,137,472</u>
Total Cash	<u>\$ 8,652,856</u>	<u>8,177,344</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 year-end (\$3,789,872). The Columbia Union Revolving Fund cash, a non-certificated note that bears interest at 1.50% per annum and due 90 days from demand, is considered to be a cash equivalent, and is uninsured and uncollateralized.

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 \$68,400 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	\$ 68,400
Less: Allowance for Uncollectible Pledges	<u>(31,827)</u>
Net Receivable Pledges	36,573
Underwriting and Other Receivables (Net)	<u>35,368</u>
Total Accounts Receivable	<u>\$ 71,941</u>

Total Future Payments:	
2022	\$ 71,941
2023	-
2024	-
2025	-
2026	-
Total	<u>\$ 71,941</u>

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2021

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

	Balance 12/31/2020	Additions	Retirements	12/31/2021
Leasehold Improvements - Build Out	\$ 1,318,363	-	-	1,318,363
Equipment	1,501,618	95,172	-	1,596,790
Tower	21,057	219,000	-	240,057
Vehicles	92,659	87,918	34,478	146,099
Total Plant Assets	<u>\$ 2,933,697</u>	<u>402,090</u>	<u>34,478</u>	<u>3,301,309</u>
Accumulated Depreciation				
Leasehold Improvements - Build Out	\$ 124,512	87,891	-	212,403
Equipment	338,610	257,753	2,245	594,118
Tower	10,529	19,689	-	30,218
Vehicles	52,061	19,048	12,381	58,728
Total Accumulated Depreciation	<u>525,712</u>	<u>384,381</u>	<u>14,626</u>	<u>895,467</u>
Net Plant Assets	<u>\$ 2,407,985</u>	<u>17,709</u>	<u>19,852</u>	<u>2,405,842</u>

Depreciation expense amounted to \$384,381 for the current fiscal period.

NOTE 5 – ASSET ACQUISITION

During the year the company acquired a radio station in Ocean City, eastern Maryland, American University d/b/a WAMU 88.5 FM, changed the call letters to WGBZ, and effectively merged and integrated it into its operation. The total purchase price of \$652,266.81 consisted of tangible personal property (broadcast/transmission equipment) valued at \$261,000 and goodwill of \$391,266.81, and included all rights, title and interest in and the assumption of all obligations under the Tower Use license and all other tangible and intangible assets, rights and obligations, including:

- FCC Authorizations (license)
- Tangible Personal Property
- Records, including public inspection file
- Transmitter Site License Agreement
- Tower Use Sublicense

The company received donor restricted contributions totaling \$734,528 from a special fundraiser for the purpose of purchasing the station and bringing it into its broadcast operation. As of the year end these funds had been expended for their intended purpose, and released from restriction.

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2021

NOTE 6 - GOODWILL

The amount that was paid for the assets and rights together with related payables and other obligations of two separate radio broadcast stations, (Columbia Union College Broadcasting, Inc. and American University d/b/a WAMU 88.5 FM), otherwise 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, 2021, 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 the original value of \$5,938,928.

NOTE 7 – 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, 2021</u>	<u>Note Principal</u>	<u>Note Interest</u>	<u>Total</u>
2022	\$ 179,542	444,805	624,347
2023	188,259	436,088	624,347
2024	197,398	426,949	624,347
2025	206,982	417,365	624,347
2026	217,030	407,317	624,347
2027-2031	1,253,806	1,867,932	3,121,738
2032-2036	1,589,175	1,532,563	3,121,738
2037-2041	2,014,249	1,107,489	3,121,738
2042-2046	2,553,021	568,717	3,121,738
2047-2048	1,046,442	46,166	1,092,608
	<u>\$ 9,445,904</u>	<u>7,255,391</u>	<u>16,701,295</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.

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2021

NOTE 8 – NOTE PAYABLE

The Company received a loan through Blue Vine Bank from the Small Business Administration (SBA) in the amount of \$418,510 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan was subject to a note dated May 6, 2020 and eligible to be forgiven to the extent proceeds of the loan were used for eligible expenditures such as payroll and other expenses described in the CARES Act. Through December 31, 2020 all of this loan had been expended for eligible purposes and the application for loan forgiveness had been sent to and reviewed by the bank and sent on to the U.S. Small Business Administration for approval. On March 30, 2021, the loan was forgiven and paid by the SBA, along with all accrued interest.

NOTE 9 - OPERATING LEASES

Office Space - The Organization operates out of space 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:

2022	\$ 50,000
2023	37,500
Total	<u>\$ 87,500</u>

Office Space – On November 1, 2018, the Organization entered into a facilities lease agreement for station operations and broadcast studios at their 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 of the first month's rent and a security deposit were paid on execution of this lease in the total amount of \$109,923. The rental deposit was applied as the first month's rent in July, 2020 when the rent payments began. 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>
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	111,786
Total Minimum Payments	<u>\$ 4,021,153</u>

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2021

NOTE 9 - OPERATING LEASES, Continued

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:

2022	\$ 5,407
2023	5,407
2024	3,156
Total	<u>\$ 13,970</u>

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:

	Minimum Lease Payments
<u>December 31, 2021</u>	<u>\$ 24,500</u>
2022	

Tower Use Sublease

With the purchase of the new radio station, the company obtained the rights and obligations under a Tower Use Sublease, and beginning with the second year of a five year renewal term ending June 27, 2025, pays monthly rental to American Tower. The Sublease agreement provides for two additional renewal terms of five years each, with a 3% increase each January over the previous calendar year. During the fiscal year the company paid American Tower \$3,074.69 monthly under the agreement for six months. The scheduled payments including all renewal terms are shown below:

<u>Year Ended</u> <u>Decemcer 31</u>	<u>Annual</u> <u>Payments</u>
2022	\$ 38,003
2023	39,143
2024	40,318
2025	41,527
2026	42,773
2027	44,056
2028	45,378
2029	46,739
2030	48,141
2031	49,586
2032	51,073
2033	52,605
2034	54,183
2035	27,905
Total Minimum Payments	<u>\$ 621,430</u>

Total rent expense for the period ending December 31, 2021 for these five lease/rental agreements was \$515,662.

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2021

NOTE 10 - 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 11 - GAIN CONTINGENCIES

The GWETA Antenna lease agreement described in Note 8 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.

NOTE 12 - WORKING CAPITAL AND LIQUIDITY

WORKING CAPITAL	
Current Assets	\$ 8,808,098
Less: Current Liabilities	<u>292,754</u>
Working Capital	<u>8,515,344</u>
LIQUIDITY	
Liquid Assets	
Cash	8,652,856
Investments	<u>12,333</u>
Total Liquid Assets	<u>8,665,189</u>
Commitments	
Current Liabilities	<u>292,754</u>
Liquid Assets Excess	<u>\$ 8,372,435</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 13 – FAIR VALUE MEASUREMENTS

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. Cash, receivables and accounts payable are measured at Level 2. 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. Investments and money market are measured at Level 1.

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2021

NOTE 14 - 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 15 - 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 16 - DONATED SERVICES

The fair value of donated services for the period ended December 31, 2021 has not been quantified or determined, and is not considered to be material in amount.

NOTE 17 – TAX EXEMPT STATUS

The Organization received tax exempt status from the Internal Revenue Service in a letter dated December 11, 2019, and retroactive to its formation February 14, 2018.

NOTE 18 – 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.

ATLANTIC GATEWAY COMMUNICATIONS, INC.
Notes To The Financial Statements, Continued
For the Period Ended December 31, 2021

NOTE 19 – NET ASSETS WITH DONOR RESTRICTION

Donor restricted net assets as of December 31, 2021 were \$0.

Releases from Donor Restricted Net Assets for the year ended December 31, 2021:

Release from restriction:

Subject to expenditure for specific purpose	
Radio Station Acquisition	<u>\$ 734,528</u>

NOTE 20 – NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED

The Organization's governing Board has adopted policies to set aside and "designate" portions of its cash and net assets as operating reserves and the funding of depreciation. In addition, during the year the board designated a portion of its net assets to be a funding source for future strategic initiatives and special projects, to conceive, research, build and fund new media ministry concepts that serve the mission of WGTS and respond to the changing world of traditional broadcast communications, to re-invest in the future of media ministry, in order to maintain future viability and relevance. With this in mind, the board voted to set aside \$607,000 to fund two new positions and support over the next three years, for this purpose. The funding model is designed to decrease each year as this function is merged into the regular operating budget of the company. The balance of unspent funds at year end designated for this purpose was \$479,674. At year end, December 31, 2021, the following amounts were designated for these purposes:

Operations	\$ 1,805,000
Depreciation Funding	895,467
Strategic Initiatives	<u>479,674</u>
	<u>\$ 3,180,141</u>

NOTE 21 – OTHER MATTERS

Due to the COVID 19 Pandemic that continued to develop during the fiscal year ended December 31, 2021, Atlantic Gateway Communications, Inc., is continuing to evaluate what effect it will have on the operation of the radio station. Management believes that it has adapted its processes and operations sufficiently to deal with the current circumstances.

NOTE 22 – EVALUATIONS OF SUBSEQUENT EVENTS

Management has, through June 24, 2022, 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, 2021, that would have materially significant effect on the carrying amounts of assets or liabilities, including estimates, and no such items have been identified.