

**ATLANTIC GATEWAY  
COMMUNICATIONS, INC.**

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**Independent Auditors' Report**

**Financial Statements  
For the Period Ended December 31, 2022**



**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, 2022, 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, 2022, 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.

**Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in 2022, the organization adopted new accounting guidance FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

**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.

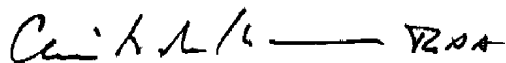
### **Auditor's Responsibilities for the Audit of the Financial Statement**

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 15, 2023  
Gaffney, SC

**ATLANTIC GATEWAY COMMUNICATIONS, INC.**

Statement of Financial Position

As of December 31, 2022

**ASSETS**

Current Assets

Cash	\$ 9,171,130
Investments	1,202
Pledges and Accounts Receivable, Net	52,960
Other Receivable	1,882
Prepaid Expense	134,621
	<u>9,361,795</u>

Property, Plant and Equipment, Net	<u>5,761,655</u>
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Non-Current Assets

Goodwill	5,938,928
Deposits	78,517
	<u>6,017,445</u>

Total Assets	<u><u>21,140,895</u></u>
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**LIABILITIES**

Current Liabilities

Accounts Payable	102,880
Current Portion of Long-Term Note Payable	188,259
Current Portion of Long-Term Lease Liabilities	363,542
	<u>654,681</u>

Long-Term Debt

Long-Term Portion of Note Payable	9,078,103
Long-Term Portion of Lease Liabilities	3,208,595
	<u>12,286,698</u>

Total Liabilities	<u>12,941,379</u>
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**NET ASSETS**

Without Donor Restrictions

Designated	3,041,881
Undesignated	5,157,635
	<u>8,199,516</u>

Total Liabilities and Net Assets	<u><u>\$ 21,140,895</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND GAINS</b>			
Support			
Listener Contributions	\$ 7,619,924	-	7,619,924
Underwriting	260,711	-	260,711
Interest Income	77,252	-	77,252
Other Income	7,909	-	7,909
Total Revenues and Gains	7,965,796	-	7,965,796
<b>EXPENSES AND LOSSES</b>			
Program Service Expenses			
Programming, Production & Information	5,234,465	-	5,234,465
Supporting Service Expenses			
Management & General	1,314,401	-	1,314,401
Fundraising	889,682	-	889,682
	2,204,083	-	2,204,083
Total Expenses and Losses	7,438,548	-	7,438,548
Increase (Decrease) in Net Assets	527,248	-	527,248
Net Assets, Beginning of Year	7,672,268	-	7,672,268
Net Assets, End of Year	\$ 8,199,516	-	8,199,516

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, 2022

	<u>Program Service</u>	<u>Supporting Services</u>			<u>Total 2022</u>
	Programing Production & Information	Management and General	Fundraising	Total Supporting Services	
Salaries and Wages	\$ 1,385,200	756,235	252,331	1,008,566	2,393,766
Employee Benefits	499,101	249,652	89,302	338,954	838,055
General Supplies and Expense	183,364	40	312	352	183,716
Duplicating	20,944	-	-	-	20,944
Rent	108,818	-	-	-	108,818
Utilities	36,972	16,635	6,490	23,125	60,097
Storage Rental	15,951	-	-	-	15,951
Equipment/Furniture Supplies	42,838	-	-	-	42,838
Software	119,681	-	52,948	52,948	172,629
Membership & Dues	15,446	405	465	870	16,316
Subscriptions	45,177	100	98	198	45,375
License Fee	61,068	-	918	918	61,986
Fiscal Charges / Credit Card Processing	167,935	-	-	-	167,935
Interest	506,019	15,688	15,762	31,450	537,469
Bad Debt Expense	53,275	-	-	-	53,275
Conferences, Conventions and Meetings	31,844	1,007	1,181	2,188	34,032
Honorariums	12,000	-	-	-	12,000
Events and Activities	17,286	-	-	-	17,286
Miscellaneous	3,840	1,000	-	1,000	4,840
Contract Services - General	461,456	80,520	114,120	194,640	656,096
Consultants	48,560	-	235,100	235,100	283,660
Layout & Design	11,863	-	350	350	12,213
Research	97,037	-	-	-	97,037
Professional Fees	34,962	78,671	-	78,671	113,633
Telephone - Internet T1's	73,512	-	-	-	73,512
Travel	41,612	647	1,773	2,420	44,032
Travel 2 (Non Staff)	47,913	-	14,552	14,552	62,465
Vehicle Gas and Maintenance	13,309	1,124	2,982	4,106	17,415
Equipment Repairs	6,140	-	-	-	6,140
Gifts	29,072	-	-	-	29,072
Insurance	66,636	25,467	8,737	34,204	100,840
Advertising	269,170	-	-	-	269,170
Postage & Mailing	99,068	-	69,820	69,820	168,888
Depreciation	361,008	30,598	8,642	39,240	400,248
Amortization	246,388	56,612	13,799	70,411	316,799
	<u>\$ 5,234,465</u>	<u>1,314,401</u>	<u>889,682</u>	<u>2,204,083</u>	<u>7,438,548</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, 2022

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Listener Contributions	\$ 7,650,036
Cash Received from Underwriting	260,711
Cash Received from Investment Earnings	77,252
Cash Received from Other Sources	13,589
Cash Paid to Vendors and Employees	<u>(6,803,049)</u>
Net Cash Provided by Operating Activities	<u>1,198,539</u>

**INVESTING ACTIVITIES**

Purchases of Capital Assets	<u>(183,924)</u>
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**FINANCING ACTIVITIES**

Principal Paid on Long-Term Debt	(179,542)
Principal Paid on Lease Obligations	<u>(316,799)</u>
	<u>(496,341)</u>

Increase (Decrease) in Cash and Cash Equivalents	518,274
Cash and Cash Equivalents, Beginning of Year	<u>8,652,856</u>
Cash and Cash Equivalents, End of Year	<u><u>9,171,130</u></u>

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

Change in Net Assets	527,248
Adjustments to Reconcile Change in Net Assets to Net Assets Used by Operating Activities:	
Depreciation Expense	400,248
Amortization Expense	316,799
(Increase) Decrease in Receivables	35,792
(Increase) Decrease in Prepaid Expense	(71,215)
Increase (Decrease) in Accounts Payable	<u>(10,333)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,198,539</u>

Non-Cash Transactions:

Capitalization of Lease Obligations -	
Assets	\$ 3,888,936
Liabilities	3,888,936

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, 2022

### **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 500,000 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, 2022.

**ATLANTIC GATEWAY COMMUNICATIONS, INC.**

Notes To The Financial Statements  
For the Period Ended December 31, 2022

**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, 2022.

*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, 2022

**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.

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 or adjusted 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.

**(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.

**ATLANTIC GATEWAY COMMUNICATIONS, INC.**

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2022

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

Summary of Significant Accounting Policies, Continued

**(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, 2022 amounted to \$889,682. 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.

**(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, 2022 was \$269,170.

**(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, 2022

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

Summary of Significant Accounting Policies, Continued

**(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.

**(n) Adoption of FASB ASC 842**

Effective January 1, 2022, the Company adopted FASB ASC 842, *Leases*. The Company determines if an arrangement contains a lease at inception based on whether the Company has the right to control the asset during the contract period and other facts and circumstances. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification and provided that a right-of-use and a lease liability be recognized for all operating leases at January 1, 2022 based on the present value of the remaining minimum rental payments.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use assets of \$3,888,936 and operating lease liabilities of \$3,888,936 as of January 1, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with our historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Company's results of operations, cash flows or debt covenants.

**ATLANTIC GATEWAY COMMUNICATIONS, INC.**  
Notes To The Financial Statements, Continued  
For the Period Ended December 31, 2022

**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	2,692,379	2,243,911
Savings, Interest Bearing	1,428,966	1,428,966
Columbia Union Revolving Fund	5,049,285	5,049,285
Total Cash	\$ 9,171,130	8,722,162

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 (\$3,422,877). The Columbia Union Revolving Fund cash, a non-certificated note that bears interest at 1.25% 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 \$37,336 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	\$ 37,336
Less: Allowance for Uncollectible Pledges	(36,318)
Net Receivable Pledges	1,018
Underwriting and Other Receivables (Net)	51,942
Total Accounts Receivable	\$ 52,960

Total Future Payments:	
2023	\$ 52,960
2024	-
2025	-
2026	-
2027	-
Total	\$ 52,960

**ATLANTIC GATEWAY COMMUNICATIONS, INC.**

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2022

**NOTE 4 – PROPERTY, PLANT AND EQUIPMENT**

	Balance 12/31/2021	Additions	Retirements	12/31/2022
Leasehold Improvements - Build Out	\$ 1,318,363	-	-	1,318,363
Equipment	1,596,790	183,924	-	1,780,714
Tower	240,057	-	-	240,057
Vehicles	146,099	-	-	146,099
Operating Lease Right-of-Use Assets				
Building Facility	-	3,354,872	-	3,354,872
Tower	-	534,064	-	534,064
	<u>\$ 3,301,309</u>	<u>4,072,860</u>	<u>-</u>	<u>7,374,169</u>
Accumulated Depreciation/Amortization				
Leasehold Improvements - Build Out	\$ 212,403	87,891	-	300,294
Equipment	594,118	260,739	-	854,857
Tower	30,218	26,693	-	56,911
Vehicles	58,728	24,925	-	83,653
Operating Lease Right-of-Use Assets				
Building Facility	-	291,288	-	291,288
Tower	-	25,511	-	25,511
Total Accumulated Depreciation/Amortization	<u>895,467</u>	<u>717,047</u>	<u>-</u>	<u>1,612,514</u>
	<u>\$ 2,405,842</u>	<u>3,355,813</u>	<u>-</u>	<u>5,761,655</u>

Depreciation expense amounted to \$400,248 and amortization expense amounted to \$316,798 for the current fiscal period.

**NOTE 5 – ASSET ACQUISITION**

During the prior 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 \$652,267 consisted of tangible personal property (broadcast/transmission equipment) valued at \$261,000 and goodwill of \$391,267, 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



**ATLANTIC GATEWAY COMMUNICATIONS, INC.**

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2022

**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, 2022, 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, 2022</u>	<u>Note Principal</u>	<u>Note Interest</u>	<u>Total</u>
2023	\$ 188,259	407,317	595,576
2024	197,398	436,088	633,486
2025	206,982	426,949	633,931
2026	217,030	417,365	634,395
2027	227,567	396,780	624,347
2028-2032	1,314,676	1,807,062	3,121,738
2033-2037	1,666,326	1,455,412	3,121,738
2038-2042	2,112,036	1,009,702	3,121,738
2043-2047	2,676,965	444,773	3,121,738
2048	459,123	9,138	468,261
	<u>\$ 9,266,362</u>	<u>6,810,586</u>	<u>16,076,948</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.

Subsequent to year end the Company negotiated alternate financing for this note from the Columbia Union Revolving Fund in order to pay the remaining principal balance to Washington Adventist University. The interest rate is to remain at 4.75% per annum and the remaining term will be shortened to twenty years.

**ATLANTIC GATEWAY COMMUNICATIONS, INC.**

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2022

**NOTE 8 - LEASES**

Office Space – On November 1, 2018, the Organization entered into a facilities lease agreement for station operations and broadcast studios. This lease was 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. The rental payments began July, 2020, and effective January 1, 2022 this lease arrangement was transitioned to a lease under ASC 842. Total payments under this lease for the current year were \$392,762.

Tower Use Sublease

With the purchase of a 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, 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. These payments began July, 2021, and effective January 1, 2022 this lease arrangement was transitioned to a lease under ASC 842. Total payments under this lease for the current year were \$38,003.

The cost of these leased assets and the accumulated amortization at December 31, 2022 are as follows:

	<u>Building</u>	<u>Tower</u>	<u>Total</u>
Cost of Leased Asset	\$ 3,354,872	534,064	3,888,936
Accumulated Amortization	291,288	25,511	316,799
Net	<u>\$ 3,063,584</u>	<u>508,553</u>	<u>3,572,137</u>

The future minimum payments to be paid are as follows:

<u>Year Ended December 31</u>	<u>Building Lease</u>	<u>Tower Lease</u>	<u>Total</u>
2023	410,160	38,573	448,733
2024	420,367	39,730	460,097
2025	430,843	40,922	471,765
2026	441,589	42,150	483,739
2027	452,603	43,415	496,018
2028	463,888	44,717	508,605
2029	475,441	46,059	521,500
2030	281,325	47,440	328,765
2031	-	48,863	48,863
2032	-	50,329	50,329
2033	-	51,839	51,839
2034	-	53,394	53,394
2035	-	54,998	54,998
Total Minimum Payments	3,376,216	602,429	3,978,645
Less: Amount Representing Interest	(312,632)	(93,876)	(406,508)
Present Value of Net Minimum Lease Payment	<u>\$ 3,063,584</u>	<u>508,553</u>	<u>3,572,137</u>
Current Portion	<u>337,388</u>	<u>26,154</u>	<u>363,542</u>
Long-Term Portion	<u>2,726,196</u>	<u>482,399</u>	<u>3,208,595</u>

**ATLANTIC GATEWAY COMMUNICATIONS, INC.**

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2022

**NOTE 8 – LEASES**, Continued

Other leasing arrangements that have not been capitalized under ASC 842 because they either did not meet the requirements or were otherwise considered to be not material, are as follows:

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:

<u>Fiscal Year</u>	<u>Amount</u>
2023	\$ 37,500

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:

<u>Fiscal Year</u>	<u>Amount</u>
2023	\$ 5,407
2024	3,156
Total	<u>\$ 8,563</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. At the date of these financial statements, this most recent arrangement has expired and the Organization is continuing to pay the \$4,900 per month until a new and anticipated agreement can be reached. Future minimum lease payments under this lease have not been determined.

The GWETA Antenna lease agreement described above permitted GWETA to make their 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 a third party would operate an FM station that also uses the antenna and associated transmission equipment, GWETA would reimburse the Organization one third of the expenses and would also contribute an additional one third of the costs of operating and maintaining the antenna and associated equipment. This provision has expired with the lease and is expected to be included in the new lease agreement.

**NOTE 9 - 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.

**ATLANTIC GATEWAY COMMUNICATIONS, INC.**

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2022

**NOTE 10 - WORKING CAPITAL AND LIQUIDITY**

<b>WORKING CAPITAL</b>	
Current Assets	\$ 9,361,795
Less: Current Liabilities	654,681
Working Capital	<u>8,707,114</u>
<b>LIQUIDITY</b>	
Liquid Assets	
Cash	9,171,130
Investments	1,202
Total Liquid Assets	<u>9,172,332</u>
Commitments	
Current Liabilities	654,681
Liquid Assets Excess	<u>\$ 8,517,651</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, 2022 has not been quantified or determined, and is not considered to be material in amount.

**ATLANTIC GATEWAY COMMUNICATIONS, INC.**  
Notes To The Financial Statements, Continued  
For the Period Ended December 31, 2022

**NOTE 14 – 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 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 – 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 \$354,679. At year end, December 31, 2022, the following amounts were designated for these purposes:

Operations	\$ 1,805,000
Depreciation Funding	882,202
Strategic Initiatives	354,679
	<u>\$ 3,041,881</u>

**NOTE 17 – OTHER MATTERS**

The COVID 19 Pandemic continued to be present during the fiscal year ended December 31, 2022, and Atlantic Gateway Communications, Inc., is continuing to evaluate what effect it may have on the operation of the radio station, if any. Management believes that it has adapted its processes and operations sufficiently to deal with this issue and these circumstances.

**NOTE 18 – EVALUATIONS OF SUBSEQUENT EVENTS**

Management has, through June 15, 2023, 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, 2022, that would have materially significant effect on the carrying amounts of assets or liabilities, including estimates, and no such items have been identified.