

**ATLANTIC GATEWAY
COMMUNICATIONS, INC.**

Independent Auditors' Report

**Financial Statements
For the Period Ended December 31, 2018**

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expense	5
Statements of Cash Flows	6
Notes to Financial Statements	7-16

Independent Auditors' Report

To the Board of Directors
Atlantic Gateway Communications, Inc.
Takoma Park, 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, 2018 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.

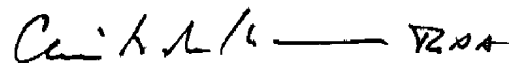
Our audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

Atlantic Gateway Communications, Inc.
Takoma Park, Maryland
Page Two

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, 2018, and the changes in its net assets and its cash flows for the period 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 middle of the name.

September 10, 2019
Gaffney, SC

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Statement of Financial Position

As of December 31, 2018

ASSETS

Current Assets

Cash	\$ 5,164,835
Investments	1,607
Accounts Receivable	96,863
	<u>5,263,305</u>

Assets Restricted for Long-Term Assets

Cash	887,185
Pledges Receivable, Net	23,517
	<u>910,702</u>

Plant Assets

Equipment and Leasehold Improvements, Net	<u>334,396</u>
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Non-Current Assets

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

Total Assets	<u><u>12,171,088</u></u>
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LIABILITIES

Current Liabilities

Accounts Payable	102,128
Current Portion of Long-Term Debt	170,914
	<u>273,042</u>

Long-Term Debt

Long-Term Note Payable	<u>9,775,392</u>
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Total Liabilities	<u>10,048,434</u>
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NET ASSETS

Without Donor Restrictions	1,211,952
With Donor Restrictions	910,702
	<u>2,122,654</u>

Total Liabilities and Net Assets	<u><u>\$ 12,171,088</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS WITHOUT DONOR RESTRICTIONS			
Support without Donor Restrictions			
Listener Contributions	\$ 2,541,134	910,702	3,451,836
Underwriting	42,392	-	42,392
Interest Income	11,152	-	11,152
Released From Restrictions	-	-	-
Total Revenues and Gains without Donor Restrictions	2,594,678	910,702	3,505,380
EXPENSES AND LOSSES			
Program Service Expenses			
Programming, Production & Information	1,077,828	-	1,077,828
Total Program Service Expenses	1,077,828	-	1,077,828
Supporting Service Expenses			
Management & General	178,232	-	178,232
Fundraising	126,666	-	126,666
Total Supporting Service Expenses	304,898	-	304,898
Total Expenses and Losses	1,382,726	-	1,382,726
Increase (Decrease) in Net Assets	1,211,952	910,702	2,122,654
Net Assets, Beginning of Year	-	-	-
Net Assets, End of Year	\$ 1,211,952	910,702	2,122,654

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, 2018

	<u>Program Service</u>	<u>Supporting Services</u>			<u>Total 2018</u>
	Programing Production & Information	Management and General	Fundraising	Total Supporting Services	
Salaries and Wages	\$ 365,073	42,722	44,085	86,807	451,880
Employee Benefits	168,863	15,297	14,502	29,799	198,662
Legal	-	40,787	-	40,787	40,787
Audit and Accounting	-	38,867	-	38,867	38,867
Other Fees and Services	100,553	6,747	30,098	36,845	137,398
Advertising and Promotion	8,294	-	-	-	8,294
Office Expense	18	3	-	3	21
Information Technology	43,519	4,793	47	4,840	48,359
Occupancy	36,373	3,003	3,219	6,222	42,595
Travel	10,926	4,406	18,892	23,298	34,224
Conferences, Conventions, and Meetings	135	-	-	-	135
Interest	93,886	-	-	-	93,886
Depreciation and Amortization	33,237	1,820	946	2,766	36,003
Insurance	40,604	-	-	-	40,604
Fiscal Charges / Credit Card Processing	68,941	-	-	-	68,941
Equipment and Supplies	2,750	1,192	156	1,348	4,098
Events and Activities	6,681	337	-	337	7,018
General Supplies and Expense	24,445	12,887	8,413	21,300	45,745
Layout and Design	2,090	93	242	335	2,425
License Fee	732	-	-	-	732
Meeting Expense / Meals	1,651	4,703	1,933	6,636	8,287
Membership & Dues	113	-	-	-	113
Postage and Mailing	2,473	170	3,882	4,052	6,525
Program Costs	1,320	-	-	-	1,320
Research	31,886	-	-	-	31,886
Subscriptions	736	147	6	153	889
Tower Rental	29,400	-	-	-	29,400
Vehicle Expense	3,129	258	245	503	3,632
	<u>\$ 1,077,828</u>	<u>178,232</u>	<u>126,666</u>	<u>304,898</u>	<u>1,382,726</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Listener Contributions	\$ 3,447,515
Cash Received from Underwriting	13,000
Cash Received from Investment Earnings	11,152
Cash Paid to Vendors and Employees	(1,456,041)
Net Cash Provided by Operating Activities	<u>2,015,626</u>

INVESTING ACTIVITIES

Purchases of Capital Assets	(5,536)
Cash Received in Purchase of Radio Station Assets	5,095,624
Cash Paid for Purchase of Radio Station Assets	(1,000,000)
Net Cash Provided by Investing Activities	<u>4,090,088</u>

FINANCING ACTIVITIES

Principal Paid on Long-Term Debt	<u>(53,694)</u>
Increase (Decrease) in Cash and Cash Equivalents	6,052,020
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>6,052,020</u>

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

Change in Net Assets	2,122,654
Adjustments to Reconcile Change in Net Assets to Net Assets Used by Operating Activities:	
Depreciation Expense	36,003
(Increase) Decrease in Accounts Receivable	(15,871)
(Increase) Decrease in Deposits	(109,923)
Increase (Decrease) in Accounts Payable	(17,237)
Net Cash Provided by Operating Activities	<u>\$ 2,015,626</u>

Non-Cash Transaction:

The organization exchanged a \$1,000,000 receivable and \$4,904,376 of a \$10,000,000 note payable for capital assets of \$364,863, pledges and other receivables of \$214,236, prepaids and deposits of \$5,100, investments of \$1,607 and goodwill of \$5,547,662, less liabilities of \$229,092. The remaining portion of the note payable was issued in exchange for the cash received of \$5,095,624.

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, 2018

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 7600 Flower Avenue in Takoma Park, 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, and currently under a church group exemption of the General Conference of Seventh-day Adventists, while it is in the process of preparing and filing an application with the Internal Revenue Service to obtain tax exempt status in its own right.

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 (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

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.

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements
For the Period Ended December 31, 2018

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.

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).

Agency Funds: Agency funds are funds held by the Organization as custodian. The receipts, earnings and expenditures related to the agency funds are not included in the Organization's Statement of Activities. Pooled investment income is not allocated to the Agency funds.

(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 \$1,000 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 changes in net assets without donor restrictions.

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2018

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.

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.

- (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) *Fund-raising 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.

Implementation of Accounting Standard

The Organization implemented Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in the year ended December 31, 2018. This standard more clearly defines net assets with and without donor restrictions as well as makes improvements to reporting requirements for liquidity and financial performance. This change was incorporated in these financial statements; however, there was no effect on the beginning net assets.

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2018

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	1,199,963	1,229,953
Savings, Interest Bearing	2,679,700	2,345,498
Columbia Union Revolving Fund	2,171,857	2,171,875
Total Cash	<u>\$ 6,052,020</u>	<u>5,747,326</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 (\$3,170,579). 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. See Note 18.

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 \$133,104 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. See Note 1 "Contributions". The pledges receivable details are as follows:

Pledges Receivable	\$ 117,872
Less: Allowance for Uncollectible Pledges	(65,392)
Net Receivable Pledges	<u>52,480</u>
Underwriting and Other Receivables (Net)	<u>67,900</u>
Total Accounts Receivable	<u>\$ 120,380</u>
Total Future Payments:	
2019	\$ 120,380
2020	-
2021	-
2022	-
2023	-
Total	<u>\$ 120,380</u>

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2018

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

	Balance 9/11/2018	Additions	Retirements	12/31/2018
Equipment	\$ 292,656	5,536	-	298,192
Vehicles	75,152	-	-	75,152
Leasehold Improvements				
WETA Transmitter	4,796	-	-	4,796
WETA Antenna	13,537	-	-	13,537
WETA Wiring	2,724	-	-	2,724
Total Leasehold Improvements	21,057	-	-	21,057
Total Plant Assets	\$ 388,865	5,536	-	394,401
Accumulated Depreciation				
Equipment	\$ 16,596	24,894	-	41,490
Vehicles	6,985	10,477	-	17,462
Leasehold Improvements	421	632	-	1,053
Total Accumulated Depreciation	24,002	36,003	-	60,005
Net Plant Assets	\$ 364,863	(30,467)	-	334,396

Depreciation expense amounted to \$36,003 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 as described in Note 19, 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. At December 31, 2018, given the relatively short interval between the closing date of the purchase and year end, management believes that there has not been significant impairment, if any, 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, 2018

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 provides 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.

<u>December 31, 2018</u>	<u>Note Principal</u>	<u>Note Interest</u>	<u>Total</u>
2019	\$ 170,914	419,414	590,328
2020	178,320	412,008	590,328
2021	186,049	404,279	590,328
2022	194,112	396,216	590,328
2023	202,524	387,804	590,328
2024-2028	1,152,132	1,799,507	2,951,639
2029-2033	1,424,383	1,527,256	2,951,639
2034-2038	1,760,968	1,190,671	2,951,639
2039-2043	2,177,088	774,551	2,951,639
2044-2048	2,499,816	261,085	2,760,901
	<u>\$ 9,946,306</u>	<u>7,572,791</u>	<u>17,519,097</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:

2019	\$ 50,000
2020	50,000
2021	50,000
2022	50,000
2023	37,500
Total	<u>\$ 237,500</u>

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2018

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 discussed in Note 19. 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, 2018</u>	<u>Minimum Lease Payments</u>
2019	\$ 4,900
2020	-
2021	-
2022	-
Total	<u>\$ 4,900</u>

Total rent expense for the period ending December 31, 2018 for these two rental agreements was \$32,942.

NOTE 8 – DONOR RESTRICTIONS ON NET ASSETS

The Organization's net assets with donor restrictions as of December 31, 2018 consisted of the following:

Assets Restricted for Long-Term Assets	<u>\$ 910,702</u>
Total	<u>\$ 910,702</u>

These funds were contributed for the purpose of providing for the cost of build-out and up fitting of new facilities. None of the funds raised for this purpose had been spent as of year end.

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.

NOTE 10 - 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, 2018

NOTE 11 - WORKING CAPITAL AND LIQUIDITY

WORKING CAPITAL	
Current Assets	\$ 5,263,305
Less: Current Liabilities	273,042
Working Capital	<u>4,990,263</u>
LIQUIDITY	
Liquid Assets	
Cash	5,164,835
Investments	1,607
Total Liquid Assets	<u>5,166,442</u>
Commitments	
Current Liabilities	<u>273,042</u>
Liquid Assets Excess	<u>\$ 4,893,400</u>

NOTE 12 - 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 13 - 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 14 - DONATED SERVICES

The fair value of donated services for the period ended December 31, 2018 has not been quantified or determined, and is considered to be immaterial in amount. Washington Adventist University provided the Radio Station with the services of its finance department staff for the first few months of its operation. The value of this contributed service is not included, as no calculation has been performed to determine an appropriate amount.

ATLANTIC GATEWAY COMMUNICATIONS, INC.

Notes To The Financial Statements, Continued

For the Period Ended December 31, 2018

NOTE 15 – RELATED PARTY/RELATED PARTY TRANSACTIONS

The Organization is operating 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 and at such time as the Organization's application for tax exempt status has been filed and approved.

The asset purchase agreement entered into between the organization and Columbia Union College Broadcasting, Inc., a Maryland non-profit corporation and wholly-owned subsidiary of Washington Adventist University, Inc., is described in note 19. The governing boards of the purchaser and the seller in this transaction are substantially the same, in that a majority is identical.

NOTE 16 – 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 17 – 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, 2018

NOTE 17 – LEASE OBLIGATION, Continued

The cost of this move, 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 is anticipated to be between \$2.5 million and \$2.7 million. As of the date of release of these financial statements, approximately \$2.1 million of this cost has been incurred. Management has carefully provided for the accumulation of funds sufficient to accomplish this move without incurring any additional debt.

NOTE 18 – EVALUATIONS OF SUBSEQUENT EVENTS

Management has, through September 10, 2019, 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, 2018, that would have materially significant effect on the carrying amounts of assets or liabilities, including estimates, and no such items have been identified.

NOTE 19 – OTHER MATTERS

On June 28, 2018, Atlantic Gateway Communications, Inc., entered into an asset purchase agreement whereby Atlantic Gateway Communications, Inc. agreed to purchase all of the assets together with related payables and other obligations, and including an assignment of all Federal Communications Commission (FCC) licenses and other authorizations held in connection with the operation, of WGTS / Columbia Union College Broadcasting, Inc., a Maryland non-profit corporation, and a wholly-owned subsidiary of Washington Adventist University, Inc. The purchase price was \$12,000,000, in exchange for assets with a book value of \$6,681,430 less liabilities of \$229,092 and goodwill of \$5,547,662. WGTS/Columbia Union College Broadcasting, Inc. continued to control and operate the station under its FCC license until Atlantic Gateway Communications, Inc. obtained FCC approval for the transfer of the broadcast license from WGTS/Columbia Union College Broadcasting, Inc. The FCC approved the purchase transaction on August 31, 2018. The parties consummated the transaction on September 11, 2018 and transferred ownership of the license for WGTS and the related assets at that time. These financial statements reflect the activity of the station from that point through the end of the 2018 calendar year.

The purchase price was payable upon closing, September 11, 2018, with cash of \$1,000,000, forgiveness of debt owed by the University of \$1,000,000 and a promissory note for \$10,000,000 payable over thirty years with monthly payments of principal and interest at 4.25% per annum. Future payments at December 31, 2018 on this transaction are shown in note 6.