



WAY MEDIA, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
WAY Media, Inc.
Colorado Springs, Colorado

We have audited the accompanying financial statements of WAY Media, Inc. ("the Organization"), which consist of the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WAY Media, Inc. as of June 30, 2019, 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.

Battis Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Plano, Texas
October 24, 2019

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WAY MEDIA, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019

ASSETS

ASSETS

Cash and cash equivalents	\$ 5,296,034
Property and equipment, net	3,222,617
Broadcast licenses	13,022,395
Other assets	<u>985,567</u>

Total assets \$ 22,526,613

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 1,134,343
Notes payable, net	<u>6,754,967</u>

Total liabilities 7,889,310

NET ASSETS

Without donor restrictions	
Undesignated	5,132,258
Designated for property, equipment, and broadcast licenses	<u>9,490,045</u>

Total net assets without donor restrictions 14,622,303

With donor restrictions 15,000

Total net assets 14,637,303

Total liabilities and net assets \$ 22,526,613

WAY MEDIA, INC.
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
Contributions	\$ 14,816,582	\$ 24,995	\$ 14,841,577
Broadcast revenue	1,005,505	—	1,005,505
Concert series revenue	740,416	—	740,416
Trade revenue	529,386	—	529,386
Other revenue	168,662	—	168,662
Net assets released from restrictions	49,791	(49,791)	—
 Total public support and revenue and net assets released from restrictions	17,310,342	(24,796)	17,285,546
 EXPENSES			
Program activities	9,842,760	—	9,842,760
Supporting activities			
General and administrative	3,500,661	—	3,500,661
Fundraising	2,028,169	—	2,028,169
Total supporting activities	5,528,830	—	5,528,830
 Total expenses	15,371,590	—	15,371,590
 CHANGE IN NET ASSETS	1,938,752	(24,796)	1,913,956
 NET ASSETS - Beginning of year	12,683,551	39,796	12,723,347
 NET ASSETS - End of year	\$ 14,622,303	\$ 15,000	\$ 14,637,303

The Accompanying Notes are an Integral
Part of These Financial Statements

WAY MEDIA, INC.
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2019

OPERATING CASH FLOWS

Change in net assets	\$ 1,913,956
Adjustments to reconcile change in net assets to net operating cash flows	
Depreciation and amortization	390,717
Change in other assets	(582,517)
Change in accounts payable and accrued expenses	<u>349,312</u>
Net operating cash flows	<u>2,071,468</u>

INVESTING CASH FLOWS

Purchases of and improvements to property and equipment	<u>(964,750)</u>
Net investing cash flows	<u>(964,750)</u>

FINANCING CASH FLOWS

Principal repayments on notes payable	<u>(751,197)</u>
Net financing cash flows	<u>(751,197)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS **355,521**

CASH AND CASH EQUIVALENTS - Beginning of year **4,940,513**

CASH AND CASH EQUIVALENTS - End of year **\$ 5,296,034**

WAY MEDIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2019

	Program activities	Supporting activities			Total
		General and administrative	Fundraising	Total supporting activities	
Personnel	\$ 4,762,099	\$ 2,199,535	\$ 992,530	\$ 3,192,065	\$ 7,954,164
Rent	1,202,910	121,771	50,320	172,091	1,375,001
Professional services	97,001	343,374	563,448	906,822	1,003,823
Telephone and utilities	479,917	83,566	52,625	136,191	616,108
Advertising and promotion	553,570	61,508	—	61,508	615,078
General and office	285,989	148,077	76,834	224,911	510,900
Concert series	503,532	—	—	—	503,532
Travel and meals	242,968	131,093	88,395	219,488	462,456
Depreciation and amortization	362,468	19,549	8,700	28,249	390,717
Repairs and maintenance	312,907	51,205	11,908	63,113	376,020
Interest	295,157	15,918	7,084	23,002	318,159
Program and satellite services	317,273	—	—	—	317,273
Credit card fees	—	281,754	—	281,754	281,754
Postage and printing	25,261	22,037	170,510	192,547	217,808
Taxes and licenses	211,073	1,790	797	2,587	213,660
Insurance	116,134	19,484	5,018	24,502	140,636
Contributions	69,516	—	—	—	69,516
Production supplies	4,985	—	—	—	4,985
Total expenses	\$ 9,842,760	\$ 3,500,661	\$ 2,028,169	\$ 5,528,830	\$ 15,371,590

The Accompanying Notes are an Integral
Part of These Financial Statements

WAY MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE A – NATURE OF ACTIVITIES

WAY Media, Inc. (“the Organization”) is a not-for-profit Florida corporation, with headquarters in Colorado Springs, Colorado. The Organization’s mission is to influence this generation to love and follow Jesus through culturally relevant media. The Organization accomplishes its mission primarily by owning and operating Christian music radio stations in many top 100 markets including, but not limited to, Dallas-Ft. Worth, Denver, Portland, Nashville, West Palm Beach, and Louisville. Using on-air communicators and online listening formats, the Organization promotes a number of discipleship and mission programs to its listeners.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Organization recognizes cash contributions as revenue when the contributions are received by the Organization. Contributions received are recorded as without or with donor restrictions depending on the existence and/or nature of any donor restrictions. When a 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.”

“Trade revenue” consists of airtime traded for other goods or services and are recognized as revenues at their estimated fair value on the date they are received. Such items are also recognized as expense and are classified in the accompanying statement of activities according to the benefited functional category.

All other revenue is recognized as earned.

Cash and cash equivalents

The Organization considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets.

Broadcast licenses

The Organization considers its broadcast licenses to be intangible assets with indefinite useful lives. Accordingly, the broadcast licenses are not subject to amortization. Management periodically assesses the carrying values of the broadcast licenses for impairment and adjusts the carrying value accordingly.

Income taxes

The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. The Organization is further classified as a public charity and not a private foundation for federal tax purposes. The Organization engages in a certain unrelated business activity, the net income of which is subject to federal and state income taxes. Income taxes on unrelated business income, if any, are immaterial and are recognized as expenses when paid.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net assets with donor restrictions consist of amounts with uses limited by donor-imposed purpose restrictions for studio improvements.

WAY MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those used in determining the useful lives of property and equipment and the carrying value of the broadcast licenses. Actual results could differ from the estimates.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available within one year of the date of the June 30, 2019 statement of financial position for general expenditure are as follows:

Financial assets available:	
Cash and cash equivalents	\$ 5,296,034
Less donor restricted amounts	<u>(15,000)</u>
Net financial assets available within one year	<u>\$ 5,281,034</u>

The Organization is primarily supported by contributions. As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has certain assets limited to use for donor-restricted purposes. Because a donor's restriction requires resources to be used in a specific manner or in a future period, the Organization must maintain sufficient resources to meet its responsibilities to its donors. Thus, those financial assets may not be available for general expenditure within one year of June 30, 2019. Management believes the Organization has sufficient financial assets available for general operations that may be drawn upon in the event of unanticipated financial distress or immediate liquidity need.

NOTE D – CONCENTRATIONS

The Organization maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

As of June 30, 2019, all of the Organization's notes payable are held by one financial institution.

WAY MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category		
Land	\$	127,399
Buildings and improvements		813,038
Furniture and equipment		6,942,892
Vehicles		361,029
Construction in progress		648,192
Total property and equipment		8,892,550
Less: Accumulated depreciation		(5,669,933)
Net property and equipment	\$	3,222,617

Depreciation expense amounted to approximately \$387,000 during the year ended June 30, 2019.

NOTE F - BROADCAST LICENSES

The Organization owns broadcast license rights for various non-commercial radio broadcast licenses, granted by the Federal Communications Commission. As of June 30, 2019, the carrying amount of all broadcast licenses was \$13,022,395. Management believes that the licenses have indefinite lives, and are therefore not subject to amortization. The Organization's future cash flows could be materially impacted by its ability to extend or renew agreements related to its broadcast licenses.

NOTE G - NOTES PAYABLE

Notes payable consisted of the following:

Note payable to a financial institution payable in monthly principal and interest installments of approximately \$54,000 with an interest rate of 4.50% per annum and secured by real property and other collateral; subject to certain restrictive covenants as described in the loan documents; matures April 2024	\$	4,290,786
Note payable to a financial institution payable in monthly principal and interest installments of approximately \$8,000 with an interest rate of 4.15% per annum and secured by real property and other collateral; subject to certain restrictive covenants as described in the loan documents; matures April 2022		1,254,632
Note payable to a financial institution payable in monthly principal and interest installments of approximately \$15,000 with an interest rate of 4.00% per annum and secured by real property and other collateral; subject to certain restrictive covenants as described in the loan documents; matures September 2022		1,225,593
Total notes payable		6,771,011
Less: Unamortized loan costs		(16,044)
Net notes payable	\$	6,754,967

WAY MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE G – NOTES PAYABLE (Continued)

Future maturities of notes payable are approximately as follows:

Year Ending <u>June 30.</u>	
2020	\$ 652,000
2021	681,000
2022	1,813,000
2023	1,334,000
2024	<u>2,291,000</u>
Total	<u>\$ 6,771,000</u>

Interest expense amounted to \$318,159 during the year ended June 30, 2019.

NOTE H – ADVERTISING COSTS

The Organization uses advertising to promote its programs among the audience it serves. Advertising costs are expensed as incurred. During the year ended June 30, 2019, the Organization incurred advertising costs of approximately \$456,000. Such amounts are included as expense in the accompanying statement of activities according to the benefited functional category.

NOTE I – LEASES

The Organization leases certain broadcasting towers, office space, and equipment under operating lease agreements. Total lease expense for all operating leases for the year ended June 30, 2019 amounted to approximately \$1,375,000.

Future minimum lease payments under noncancellable operating leases are approximately as follows:

Year Ending <u>June 30.</u>	
2020	\$ 1,136,000
2021	1,120,000
2022	1,062,000
2023	739,000
2024	601,000
Thereafter	<u>6,897,000</u>
Total	<u>\$ 11,555,000</u>

NOTE J – RETIREMENT PLAN

The Organization maintains a 401(k) retirement plan (“the Plan”) for the benefit of its employees. Eligible employees may make elective deferral contributions to the Plan. The Organization matches up to 3% of each employee’s salary and 50% of each employee’s contribution on the next 3% of their eligible compensation. The Organization contributed approximately \$168,000 to the Plan during the year ended June 30, 2019.

WAY MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE K - SUBSEQUENT EVENTS

Subsequent to year-end, the Organization finalized the purchase of a radio broadcast license and certain assets of an FM radio station in Oregon. The total purchase price was \$3,500,000, of which \$500,000 was placed in escrow during the year ended June 30, 2019 and is included in "other assets" in the accompanying statement of financial position.

At closing, the Organization paid cash of \$1,500,000 and entered into a note payable agreement with a financial institution for the remaining purchase price of \$1,500,000. The note is payable in monthly principal and interest installments of approximately \$16,000 beginning in October 2019 with an interest rate of 4.65% per annum and is secured by real property and other collateral. Furthermore, the note is subject to certain restrictive covenants as described in the loan documents and matures in September 2026.

The transaction will be recognized by the Organization in its financial statements for the year ending June 30, 2020.

The Organization has evaluated for possible financial reporting and disclosure subsequent events through October 24, 2019, the date as of which the financial statements were available to be issued.