



WAY MEDIA, INC.

Financial Statements
With Independent Auditors' Report

June 30, 2020

WAY MEDIA, INC.

Table of Contents

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of WAY Media, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows 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.

Auditors' Responsibility

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

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

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, 2020, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
November 30, 2020

WAY Media, Inc.

Statement of Financial Position

June 30, 2020

ASSETS:

Cash and cash equivalents	\$ 6,895,304
Prepaid expenses and other assets	338,510
Note receivable	112,188
Radio broadcast licenses	16,650,485
Land, buildings, and equipment–net	<u>3,002,202</u>

Total Assets \$ 26,998,689

LIABILITIES AND NET ASSETS:

Liabilities:

Accounts payable and other liabilities	\$ 414,687
Accrued expenses	675,468
Deferred revenue	117,873
Deferred lease incentive-net	255,749
Notes payable–net	<u>7,514,489</u>
	<u>8,978,266</u>

Net assets:

Without donor restrictions	18,001,261
With donor restrictions	<u>19,162</u>
	<u>18,020,423</u>

Total Liabilities and Net Assets \$ 26,998,689

See notes to financial statements

WAY Media, Inc.

Statement of Activities

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 15,525,374	\$ 23,819	\$ 15,549,193
Broadcast and digital media	1,507,643	-	1,507,643
Government grant revenue	1,317,483	-	1,317,483
Trade revenue	384,814	-	384,814
Concert series	225,090	-	225,090
Other income	110,539	-	110,539
Total Support and Revenue	<u>19,070,943</u>	<u>23,819</u>	<u>19,094,762</u>
NET ASSETS RELEASED:			
Purpose restrictions	<u>19,657</u>	<u>(19,657)</u>	<u>-</u>
EXPENSES:			
Program services	<u>9,982,188</u>	<u>-</u>	<u>9,982,188</u>
Supporting activities:			
General and administrative	3,634,440	-	3,634,440
Fund-raising	2,095,014	-	2,095,014
Total Expenses	<u>5,729,454</u>	<u>-</u>	<u>5,729,454</u>
	<u>15,711,642</u>	<u>-</u>	<u>15,711,642</u>
Change in Net Assets	3,378,958	4,162	3,383,120
Net Assets, Beginning of Year	<u>14,622,303</u>	<u>15,000</u>	<u>14,637,303</u>
Net Assets, End of Year	<u>\$ 18,001,261</u>	<u>\$ 19,162</u>	<u>\$ 18,020,423</u>

See notes to financial statements

WAY Media, Inc.

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services	Supporting Activities		Total Expenses
		General and Administrative	Fund- Raising	
Personnel	\$ 5,271,539	\$ 2,146,056	\$ 995,447	\$ 8,413,042
Rent	1,310,907	95,107	48,191	1,454,205
Postage and printing	30,572	95,594	779,003	905,169
General and office	358,882	338,518	80,716	778,116
Telephone and utilities	446,767	74,575	39,075	560,417
Advertising and promotion	487,997	54,222	-	542,219
Depreciation and amortization	428,819	21,025	9,071	458,915
Professional services	134,380	256,479	-	390,859
Repairs and maintenance	312,273	49,987	17,531	379,791
Travel and entertainment	185,488	97,996	94,957	378,441
Interest	312,278	15,499	6,705	334,482
Credit card fees	-	317,090	-	317,090
Taxes and licenses	243,455	1,077	466	244,998
Program and satellite services	216,029	-	-	216,029
Insurance	67,122	71,215	23,852	162,189
Concert series	152,296	-	-	152,296
Contributions	23,384	-	-	23,384
Total Expenses	\$ 9,982,188	\$ 3,634,440	\$ 2,095,014	\$ 15,711,642

See notes to financial statements

WAY Media, Inc.

Statement of Cash Flows

Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 3,383,120
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization of capitalized loan fees	463,470
Forgiveness of Paycheck Protection Program loan	(1,317,483)
Change in operating assets and liabilities:	
Prepaid expenses and other assets	534,640
Accounts payable and other liabilities	(187,884)
Accrued expenses	169,725
Deferred revenue	91,844
Deferred lease incentive-net	255,749
Net Cash Provided by Operating Activities	<u>3,393,181</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of land, buildings, and equipment	(238,500)
Purchases of radio broadcast licenses	(3,628,090)
Collection of note receivable	229
Net Cash Used by Investing Activities	<u>(3,866,361)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from notes payable	1,500,000
Payments of capitalized loan fees	(8,487)
Principal payments on notes payable	(736,546)
Proceeds from Paycheck Protection Program loan	1,317,483
Net Cash Provided by Financing Activities	<u>2,072,450</u>

Net Change in Cash and Cash Equivalents 1,599,270

Cash and Cash Equivalents, Beginning of Year 5,296,034

Cash and Cash Equivalents, End of Year \$ 6,895,304

SUPPLEMENTAL DISCLOSURES:

Cash paid for interest \$ 330,403

See notes to financial statements

WAY Media, Inc.

Notes to Financial Statements

June 30, 2020

1. NATURE OF ORGANIZATION:

WAY Media, Inc. (WAY Media) is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, WAY Media is subject to federal income tax on any unrelated business taxable income. In addition, WAY Media is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

WAY Media was organized for the purpose of establishing and operating Christian radio stations across America as well as internet radio offerings, podcasts, and videos that extend our reach online. At June 30, 2020, WAY Media operated the following radio stations:

<u>Location and Stations</u>	
Charleston, SC - 100.9/101.3	Columbia, TN - 99.3
Anniston, AL - 107.3	Auburn, AL 91.9
Huntsville, AL - 88.1/99.5	Chattanooga, TN - 90.9/104.7
Gadsden, AL - 91.1	Montgomery, AL - 99.7/102.3
Birmingham, AL - 89.9/106.3	Owensboro, KY - 91.3
Denver, CO - 101.9	Ft. Morgan, CO - 89.1
Colorado Springs, CO - 99.3	Sterling, CO - 107.7
Fort Myers/Naples, FL - 100.5/89.5	Loveland, CO - 93.9
Florence, AL - 99.5	Pueblo, CO - 90.9
Monument, CO 93.9	Trinidad, CO - 89.7
Louisville, KY - 105.9/104.3	Rome, GA - 90.3
Evansville, IN - 91.9/91.5	Spokane, WA - 89.1
Nashville, TN - 88.7/89.9	Cleveland, TN - 89.3
Clarksville, TN - 88.3	Central City, KY - 88.1
Bowling Green, KY - 88.1	Murray, KY - 106.1
Tallahassee, FL - 88.1/99.5/95.7	Muscle Shoals, AL - 98.7
Panama City, FL - 88.3/106.9	West Palm Beach, FL - 88.1/90.3/96.7
Portland, OR - 104.5/96.3	Dallas/Ft Worth - 89.7
Wichita, KS - 90.7	Longview/Kelso, WA 95.1
Madisonville, KY - 90.3	Cookeville, TN - 90.5
Hendersonville, TN - 89.9	Vancouver, WA - 104.5
Weldona, CO 103.1	Jackson, TN 89.3

WAY Media, Inc.

Notes to Financial Statements

June 30, 2020

1. NATURE OF ORGANIZATION, continued:

WAY Media is a non-profit, faith-based and donor-supported organization that uses media in a culturally relevant WAY to influence this generation to love and follow Jesus. Since 1987, WAY Media has remained a leader in the radio and media industry. We accomplish our mission primarily with award-winning on-air communicators, today's best contemporary Christian music, compelling social media content and online listening formats. WAY Media's contemporary Christian music radio stations are intentional about challenging this generation of listeners and users to live out their faith in authentic and practical WAYs and to make a difference in their communities. Our results are best demonstrated by our local involvement that positively and tangibly impacts every community's youth and young adult culture in which we serve.

Using on-air FM communicators and online listening formats, some of WAY Media's specific programs include:

1: Discipleship

World's Biggest Small Group: Three times annually WAY Media provides The World's Biggest Small Group. This devotional appears online, with support information on air, via social media and podcasts. This feature, centering around a biblical theme, includes daily devotional messages by well-known personalities to help our content users grow in their faith. Well over 50,000 participants join this program each time it is offered.

Word on the WAY: WAY Media offers a daily scripture to email subscribers who request it. This mirrors an on-air feature and is supported by social media.

Bibles: Through a partnership with Tyndale House Publishers, WAY Media offers a free bible to all those who request one. Thousands of bibles are mailed out by our staff each year. Recipients include those listeners that are incarcerated, destitute or those new to, or seeking, faith.

2: Mission

LIVE Concerts and Events: WAY Media, through its local stations, produces LIVE concerts and events annually whereby thousands of listeners and guests come to a venue to hear the music we play on air performed LIVE. Not only does this make the connection between the stations, the music, and personalities that listeners hear to the ministry we provide, but these activities generate tens of thousands of dollars for the ministry each year.

LIVE (it) OUT Activities: Every year, WAY Media encourages our listeners to join our staff members in various service projects in each of our communities. This may include projects like building homes for Habitat for Humanity, feeding the homeless, playing games with children in hospitals, and painting public school facilities. We have hundreds around the country who participate with us.

Free Air Time for Non-Profit organizations: Each WAY Media station offers at least fifty free announcements for non-profit organizations each month. Many of these groups are small and have little marketing budgets and these announcements promote those organization's various activities.

WAY Media, Inc.

Notes to Financial Statements

June 30, 2020

1. NATURE OF ORGANIZATION, continued:

2: Mission, continued

Prayer Wall: WAY Media provides an online prayer wall. Listeners and guests can go to this page and enter their prayer requests, or pray for others. This feature is used by tens of thousands. Over 150,000 prayers are expected to be made this year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

WAY Media maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were assumed in preparing the financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of short-term, highly liquid investments with an original maturity term of three months or less. These accounts from time to time exceed federally insured limits. As of June 30, 2020, the amounts in excess of the federally insured limits were approximately \$5,690,000. However, WAY Media has not experienced any losses on these accounts and does not believe it is exposed to any significant risk.

RADIO BROADCAST LICENSES

Radio broadcast licenses are intangible assets that are recorded at cost, net of impairment. Since the useful life of the licenses is determined to be indefinite, WAY Media tests the licenses on an annual basis for impairment, and no amortization is being recorded. Management has evaluated the radio broadcast licenses for impairment and no impairment was identified as of June 30, 2020.

LAND, BUILDINGS, AND EQUIPMENT—NET

Land, buildings, and equipment—net are recorded at cost if purchased or fair value if contributed and include improvements that significantly add to utility or extend useful lives. Costs of maintenance and repairs are charged to expenses as incurred. Depreciation is recorded using the straight-line method to allocate cost over the estimated useful lives, which range from five to thirty-nine years. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in support and revenue for the period. Purchases in excess of \$5,000 are capitalized.

WAY Media, Inc.

Notes to Financial Statements

June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The net assets of WAY Media are reported in the following classes:

Net assets without donor restrictions are currently available at the discretion of the board for use in WAY Media's operations.

Net assets with donor restrictions are stipulated by donors for specific operating purposes. As of June 30, 2020, \$19,162 of net assets were restricted for the purpose of studio upgrades.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or when unconditionally promised. WAY Media reports gifts of cash and other assets as restricted support 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 satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Broadcast and digital media revenue are recorded when earned, which is when commercial advertisements are aired or when digital media services are provided. WAY Media enters into agreements with business sponsors for advertising. Although terms of the agreements vary, the price charged to the business is based on the number of on-air spots the business receives. Businesses typically pay monthly and prepayments are deferred at fiscal year-end. Contracts vary in length from several months to a year, and are structured with monthly payment terms.

Government grant revenue consists of funding received through the Paycheck Protection Program (PPP), administered by the Small Business Administration. WAY Media has adopted the simultaneous release option for funds received through conditional grants, such as the PPP. Therefore, all conditional grants received for which WAY Media has met the barriers for revenue recognition have been treated as grants without donor restrictions in the statement of activities.

Trade revenue consists of airtime traded for other goods or services and are recognized at their estimated fair value on the date they are received. The goods or services are also recognized as expenses in the statement of activities according to the functional category benefited. Concert series income is recognized when earned, which is when the concerts are held.

Other income consists of interest income and other miscellaneous revenue. Other income is recognized when earned.

WAY Media, Inc.

Notes to Financial Statements

June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTED SERVICES

Many individuals volunteer their time and perform a variety of tasks that assist WAY Media with its fund-raising campaigns and daily operations. WAY Media receives numerous hours per year that have not been recorded in the statements of activities, since these tasks do not meet the accounting criteria to record as contributed services.

FUNCTIONAL ALLOCATION OF EXPENSES

The statement of functional expenses reports certain categories of expenses that are attributable to program or supporting activities of WAY Media. These expenses include depreciation and amortization, rents, and utilities, which were all allocated based on square footage occupancy. Costs of other categories were allocated on estimates of time and effort. WAY Media had no joint costs during the year ended June 30, 2020.

Program expenses of WAY Media include costs incurred in conjunction with WAY Media's discipleship and mission programs as listed in Note 1.

ADVERTISING

WAY Media uses advertising to promote its programs and recruit potential employees among the audience it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2020 was approximately \$542,000.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. WAY Media adopted the provisions of this new standard during the year ended June 30, 2020. This new standard provides guidance on determining whether transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. This standard did not have a material impact on the presentation of the June 30, 2020 financial statements.

In 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. WAY Media adopted the provisions of this new standard during the year ended June 30, 2020. This new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard had no effect on change in net assets or net assets in total.

WAY Media, Inc.

Notes to Financial Statements

June 30, 2020

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects WAY Media's financial assets as of June 30, 2020, reduced by amounts not available for general use within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial assets:	
Cash and cash equivalents	\$ 6,895,304
Note receivable	112,188
Financial assets at year-end	<u>7,007,492</u>
Less those unavailable for general expenditures within one year due to:	
Long-term portion of notes receivable	(111,750)
Restricted by donor with time or purpose restrictions	(19,162)
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 6,876,580</u></u>

WAY Media manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. WAY Media has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. WAY Media, Inc. has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets at 60-90 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the year ended June 30, 2020, the level of liquidity and reserves was managed within the policy requirements.

4. NOTE RECEIVABLE:

Note receivable consists of a receivable from an individual, due in monthly principal and interest payments, with interest calculated at 3.00%, of \$300 through April 2021, at which time the monthly payment amount gradually increases until maturity in April 2031. Management has reviewed for collectability and no allowance has been recorded as of June 30, 2020. Future minimum collections are:

<u>Year Ending June 30,</u>	
2021	\$ 438
2022	1,468
2023	1,512
2024	1,558
2025	1,606
Thereafter	<u>105,606</u>
	<u><u>\$ 112,188</u></u>

WAY Media, Inc.

Notes to Financial Statements

June 30, 2020

5. LAND, BUILDINGS, AND EQUIPMENT-NET:

Land, buildings, and equipment–net consist of the following at June 30, 2020:

Equipment and furnishings	\$ 6,345,041
Buildings and improvements	817,918
Leasehold improvements	495,187
Vehicles	325,339
Land and improvements	127,399
	<hr/>
	8,110,884
Accumulated depreciation and amortization	(5,191,458)
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	2,919,426
Construction in progress	82,776
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	\$ 3,002,202
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6. NOTES PAYABLE:

Notes payable consist of the following at June 30, 2020:

Note payable to a financial institution, refinanced during the fiscal year ended June 30, 2017, due in monthly installments of \$54,163, including interest at 4.5%. Note matures April 2024 and is secured by investments in land, buildings, and equipment.

\$ 3,827,465

Note payable to a financial institution, with interest-only payments through April 2017. In May 2017, monthly payments due in installments of \$15,187 began. These installments include interest at 3.75%. Note matures September 2022 and is secured by investments in land, buildings, and equipment.

1,090,697

Note payable to a financial institution, refinanced during the fiscal year ended June 30, 2017, with monthly installments of \$8,345, including interest at 4%. Note matures April 2022 and is secured by investments in land, buildings, and equipment.

1,206,507

Note payable to a financial institution entered into in September 2019 with monthly installments of \$15,654, including interest at 4.65%. Note matures September 2026 and is secured by investments in land, buildings, and equipment.

1,409,795

7,534,464

Less capitalized loan fees–net

(19,975)

\$ 7,514,489

WAY Media, Inc.

Notes to Financial Statements

June 30, 2020

6. NOTES PAYABLE, continued:

Capitalized loan fees are amortized over the life of the associated notes payable. Amortization expense for the year ended June 30, 2020 was \$4,555. Accumulated amortization as of June 30, 2020 was \$15,091.

Future minimum payments are:

<u>Year Ending June 30,</u>	
2021	\$ 800,952
2022	1,941,145
2023	1,470,262
2024	2,445,361
2025	149,775
Thereafter	<u>726,969</u>
	<u>\$ 7,534,464</u>

LETTER OF CREDIT

WAY Media holds a letter of credit with a financial institution for \$390,000, issued in September 2019, benefiting a lessor. The letter of credit matures in April 2022 and had an ending balance of \$0 as of June 30, 2020.

WAY Media was in compliance with all debt covenants, or obtained waivers, as of June 30, 2020.

7. PENSION PLAN:

WAY Media maintains a 401(k) defined contribution pension plan (the Plan) covering all employees who have completed one year of service. WAY Media matches up to 3% of each employee's salary, and half of each employee's contribution on the next 3% of their salaries. The Plan provides for discretionary contributions by WAY Media. Contribution to the Plan by WAY Media was \$171,787 for the year ended June 30, 2020.

WAY Media, Inc.

Notes to Financial Statements

June 30, 2020

8. OPERATING LEASE OBLIGATIONS:

WAY Media leases certain offices and broadcasting towers. Net rent expense for the year ended June 30, 2020 amounted to approximately \$1,454,000.

During the year ended, June 30, 2020 WAY Media entered into a lease agreement with an unrelated third party vendor for use of office space. Per the agreement, the lessor agreed to pay for leasehold improvements up to \$296,130. This is considered a lease incentive. The total costs of the leasehold improvements were capitalized, and the amount reimbursed by the lessor, \$296,130, was recorded as a deferred lease incentive liability. The deferred lease incentive will be amortized at a rate of \$3,365 per month over the life of the lease as an offset against rent expense. As of June 30, 2020, the deferred lease incentive is stated net of amortization of \$40,381.

Future minimum lease payments required under all operating leases in effect at June 30, 2020, are:

<u>Year Ending June 30,</u>	
2021	\$ 1,304,442
2022	1,229,599
2023	913,102
2024	696,960
2025	442,280
Thereafter	<u>509,995</u>
	<u>\$ 5,096,378</u>

9. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. WAY Media has experienced the cancellation of concerts and in-person events. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, or the impact on the financial position and results of WAY Media for future periods-including the effect on its revenue streams and contribution base. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

10. SUBSEQUENT EVENTS:

Subsequent to year-end, WAY Media paid off the balances of three notes payable in their entirety. The balances of those notes payable at June 30, 2020 totaled \$3,706,999.

Subsequent events were evaluated through November 30, 2020, which is the date the financial statement were available to be issued.