
**THE FOUNDATION FOR CREATIVE
BROADCASTING, INC.**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

SEPTEMBER 30, 2015 AND 2014

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Foundation for Creative Broadcasting, Inc.
Tucson, Arizona

We have audited the accompanying financial statements of The Foundation for Creative Broadcasting, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities, and cash flows for the years 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 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.

(continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation for Creative Broadcasting, Inc. as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 9 to the financial statements, the 2014 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 17-20 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Regier Cant & Monrose, L.L.P.

March 31, 2016
Tucson, Arizona

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION

September 30, 2015 and 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 256,721	\$ 112,079
Accounts receivable, less allowance for doubtful accounts of \$5,087 in 2015 (\$4,733 in 2014)	134,831	132,285
Pledges receivable, less allowance for doubtful accounts of \$13,553 in 2015 (\$21,203 in 2014)	91,872	63,600
Grants receivable	,750 3	,500 5
Prepaid expenses and other current assets	<u>,319 29</u>	<u>,982 41</u>
Total current assets	<u>516,493</u>	<u>355,446</u>
PROPERTY AND EQUIPMENT		
Land	,160 11	,160 11
Buildings and improvements	259,694	256,494
Furniture and equipment	52,274	52,274
Broadcast equipment	497,740	339,361
Construction in process	<u>-</u>	<u>155,384</u>
Total	820,868	814,673
Less accumulated depreciation	<u>597,096</u>	<u>558,906</u>
Total property and equipment, net	<u>223,772</u>	<u>255,767</u>
OTHER ASSETS		
Pledges receivable, less discount to present value of \$1,756 in 2015 (\$4,938 in 2014)	28,348	78,793

The Notes to Financial Statements are an integral part of these statements

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

Music library collection	,657	48	,657	48
Loan fees		772	,024	1
Total other assets		,777	77	128,474
Total assets		\$ 818,042	\$	739,687

STATEMENTS OF FINANCIAL POSITION

September 30, 2015 and 2014

LIABILITIES AND NET ASSETS

	2015		2014	
CURRENT LIABILITIES				
Accounts payable	,276\$	14	,714\$	14
Accrued payroll and related taxes	,839	22	,818	15
Due to Corporation for Public Broadcasting	,531	92	,531	92
Deferred revenue	,572	3		-
Current portion of long-term debt	,941	8	,422	8
Total current liabilities	142,159		131,485	
LONG-TERM LIABILITIES				
Lease payable		182,011		192,655
Long-term debt, less current portion	,423	19	,321	28
Total long-term liabilities	201,434		220,976	
Total liabilities	343,593		352,461	
NET ASSETS				
Unrestricted		107,693		149,166
Temporarily restricted		366,756		238,060
Total net assets		474,449		387,226

The Notes to Financial Statements are an integral part of these statements

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

Total liabilities and net assets \$ 818,042 \$ 739,687

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Memberships	\$ 305,329	\$ -	\$ 305,329
Underwriting	138,439	-	138,439
Capital campaign	-	176,462	176,462
Program service revenue - concert admissions and sponsorship	,391 30	-	,391 30
Other program service revenue	,600 3	-	,600 3
Corporation for Public Broadcasting grants	,913 77	27,905	105,818
Other grant revenues	20,250	5,000	,250 25
Barter transactions - services and supplies	100,352	-	100,352
Donations	,498 41	-	,498 41
Other income	,875 2	-	,875 2
Net assets released from restrictions	<u>,671 80</u>	(80,671)	=
Total revenues	<u>801,318</u>	<u>128,696</u>	<u>930,014</u>
EXPENSES			
Program services			
Programming	368,161	-	368,161
Community events - concert activities	<u>,385 46</u>	-	<u>,385 46</u>
Total program services	<u>414,546</u>	-	<u>414,546</u>
Supporting services			
Membership development and fundraising	197,425	-	197,425
	<u> </u>	<u> </u>	<u> </u>

The Notes to Financial Statements are an integral part of these statements

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

Underwriting solicitation	167,101	-	167,101
Management and general	<u>.719 63</u>	<u>-</u>	<u>.719 63</u>
Total supporting services	<u>428,245</u>	<u>-</u>	<u>428,245</u>
Total expenses	<u>842,791</u>	<u>-</u>	<u>842,791</u>
CHANGE IN NET ASSETS	(41,473)	128,696	87,223
NET ASSETS, BEGINNING OF YEAR, RESTATED	<u>149,166</u>	<u>238,060</u>	<u>387,226</u>
NET ASSETS, END OF YEAR	<u>\$ 107,693</u>	<u>\$ 366,756</u>	<u>\$ 474,449</u>

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

		Temporarily	
REVENUES			
Memberships	\$ 302,541	\$ -	\$ 302,541
Underwriting	118,681	-	118,681
Capital campaign	-	333,535	333,535
Program service revenue - concert admissions and sponsorship	25,036	-	25,036
Other program service revenue	4,494	-	4,494
Corporation for Public Broadcasting grants	69,240	,353 24	93,593
Other grant revenues	13,046	-	13,046
Barter transactions - services and supplies	98,302	-	98,302
Donations	48,434	-	48,434
Other income	15,592	-	15,592
Net assets released from restrictions	235,737	(235,737)	-
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>

The Notes to Financial Statements are an integral part of these statements

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

Total revenues	<u>931,103</u>	<u>122,151</u>	<u>,053,254 1</u>
EXPENSES			
Program services			
Programming	329,727	-	329,727
Community events - concert activities	<u>,924 44</u>	<u>-</u>	<u>,924 44</u>
Total program services	<u>374,651</u>	<u>-</u>	<u>374,651</u>
Supporting services			
Membership development and fundraising	160,761	-	160,761
Underwriting solicitation	165,872	-	165,872
Management and general	<u>,467 62</u>	<u>-</u>	<u>,467 62</u>
Total supporting services	<u>389,100</u>	<u>-</u>	<u>389,100</u>
Total expenses	<u>763,751</u>	<u>-</u>	<u>763,751</u>
CHANGE IN NET ASSETS	167,352	122,151	289,503
NET ASSETS, BEGINNING OF YEAR	<u>(18,186)</u>	<u>115,909</u>	<u>97,723</u>
NET ASSETS, END OF YEAR, RESTATED	<u>\$ 149,166</u>	<u>\$ 238,060</u>	<u>\$ 387,226</u>

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2015 and 2014

	2015	2014
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	,223\$ 87	\$ 289,503
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	,442 38	,448 24
Collection of contributions for capital campaign	(199,053)	(279,851)
Bad debt and allowance	,013 12	,094 27
	<u> </u>	<u> </u>

The Notes to Financial Statements are an integral part of these statements

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

Increase to music library	-		
Increase (decrease) in cash resulting from changes in		(250)	
Accounts receivable	(20,042)		(24,701)
Pledges receivable	,406	29	(53,685)
Prepaid expenses and other assets	,663	12	(15,864)
Accounts payable		(438)	(13,207)
Due to Corporation for Public Broadcasting		-	,069
Accrued payroll and related taxes	,021	7	,236
Lease expense payable		(10,644)	,093
Deferred income	<u>,572</u>	<u>3</u>	<u>(22,134)</u>
Net cash used by operating activities		(39,837)	(60,435)
CASH FLOWS FROM INVESTING ACTIVITIES			<u>(146,722)</u>
Purchase of property and equipment	<u>,195</u>	<u>(6</u>	
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on notes payable	,379)	(8	,249) (7
Collection of contributions for capital campaign	<u>199,053</u>		<u>279,851</u>
Net cash provided by financing activities		190,674	272,602
Net increase in cash		144,642	,445
			65
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<u>112,079</u>	<u>46,634</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		<u>\$ 256,721</u>	<u>\$ 112,079</u>
SUPPLEMENTAL DISCLOSURE			
Cash paid for interest		<u>,976\$</u>	<u>1 ,141\$</u>
			<u>3</u>

The Notes to Financial Statements are an integral part of these statements

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Foundation for Creative Broadcasting, Inc. (the “Foundation”) is a nonprofit organization whose stated purpose is to act as an educational foundation for the creative use of media; encouraging community access to media and promoting the development of art in media, primarily, but not limited to, noncommercial educational broadcasting. The Foundation operates a noncommercial community radio station in Tucson, Arizona (KXCI-FM 91.3). The Foundation’s main sources of revenue include membership fees, underwriting, and grant revenue.

Basis of Accounting

The financial statements of the Foundation, have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Comparative Information

Certain reclassifications have been made to the September 30, 2014 financial statements in order to conform to the September 30, 2015 presentation. With the exception of the issue discussed in Note 9, such reclassifications had no effect on reported income.

Basis of Presentation

Financial statement presentation follows the recommendations of the U.S. generally accepted accounting principles; the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. They also include market gains and losses from invested permanently restricted net assets that have not been expended.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Foundation has no permanently restricted net assets.

Membership revenues are considered unrestricted support of the Foundation and are recognized as revenue in the period pledged. Members receive benefits, including the monthly newsletter, music products donated to the Foundation, KXCI T-shirts, and discounts at Foundation events. Membership receivables outstanding over one year are written off as bad debts if they are deemed uncollectible.

Underwriting revenues are recognized when the spot is broadcast; underwriting receivables are written off when an account is deemed uncollectible. Newsletter advertising is recognized in the month of the printed advertisement.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand; cash in banks, and investments with original maturities of three months or less. The Foundation maintains its cash balances in one financial institution. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation limits, however, management does not believe it is exposed to any significant credit risk on cash.

Collections

The Foundation capitalizes its music library collection. Additions are capitalized at cost if purchased and at appraised or fair value if received by donation. Items received as promotions from record companies are not recorded in the financial statements. No depreciation or amortization is recorded on the collection.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment is stated at cost except for donated property, which is recorded at fair market value at the date of gift. Assets with an estimated useful life greater than one year and cost greater than \$1,000 are capitalized. Depreciation is calculated using the straight-line method over the asset's estimated useful life. Depreciable asset classifications and the range of estimated lives are summarized below:

<u>Asset classification</u>	<u>Life</u>
• Buildings and improvements 3 - 5 years	7 - 40 years □ Furniture and equipment
• Broadcast equipment	7 - 10 years

Grants

Certain grants are restricted for the purchase of equipment and for the payment of certain operational expenses. When the Foundation is notified as a recipient of these grants, the amounts are included as temporarily restricted grant revenue in the accompanying statements of activities.

Corporation for Public Broadcasting Community Service Grants

The Corporation for Public Broadcasting ("CPB") is a private, nonprofit grant-making organization responsible for funding nearly 1,400 locally-owned and -operated public television and radio stations. CPB distributes annual Community Service Grants ("CSGs") to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and, thereby, to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. In addition, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The CSGs are reported in the accompanying financial statements as increases in temporarily restricted net assets until satisfaction of the time and purpose restrictions, after which they are reported as a release from temporarily restricted net assets and an increase in unrestricted net assets.

Barter Transactions

Barter transactions are recorded as revenue and expense in the accompanying statements of activities at the estimated value of airtime exchanged in the transaction.

Donated Services

Donated services are recognized as contributions in accordance with U.S. generally accepted accounting principles, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

The Foundation uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$13,986 and \$7,845 for the years ended September 30, 2015 and 2014, respectively.

Income Taxes

The Foundation is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under Sections 509(a)(1) and (3), respectively. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The returns are subject to examination for three years (four years for Arizona).

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

(continued)

2. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2015 and 2014 are comprised of the following:

	<u>2015</u>	<u>2014</u>
Membership pledges, net of allowance for doubtful accounts (\$5,087 for 2015; \$4,733 for 2014).	\$ 109,333	\$ 116,294
Underwriting and newsletter advertising, net of allowance for doubtful accounts (none for 2015 or 2014).	25,223	15,831
Other accounts receivable	<u>275</u>	<u>160</u>
Total	<u>\$ 134,831</u>	<u>\$ 132,285</u>

Membership pledges outstanding over one year are written off to expense. Other receivables are written off when deemed uncollectible by averaging prior years' bad debt. The allowance is estimated from historical expense, coupled with a current status of existing receivables. Accounts over 90 days old were \$26,485 and \$22,237 for the years ended September 30, 2015 and 2014, respectively. The total loss if all parties fail to perform and collection efforts prove to be ineffective is the stated balance of \$134,831 at September 30, 2015. The Foundation has no liens to reduce this credit risk.

3. PLEDGES RECEIVABLE

During 2015 and 2014, the Foundation conducted a capital campaign to obtain funds for the addition of an auxiliary broadcasting site, to repair their current radio station building, and to improve their broadcasting capabilities. Capital campaign pledges receivable at September 30, 2015 and 2014 represent unconditional promises to give as follows:

	<u>2015</u>	<u>2014</u>
Pledges receivable in less than one year	\$ 105,425	\$ 84,803
Pledges receivable in one to five years	<u>30,104</u>	<u>83,731</u>
Total	135,529	168,534
Less discount to present value at a rate of 5.0%	(1,756)	(4,938)
Less allowance for doubtful accounts	<u>(13,553)</u>	<u>(21,203)</u>

(continued)

Net capital campaign pledges receivable	<u>\$ 120,220</u>	<u>\$ 142,393</u>
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3. PLEDGES RECEIVABLE (continued)

Pledges have been discounted at a 5% annual rate of interest. The capital campaign pledges receivable are temporarily restricted in use for costs and expenses of the auxiliary broadcasting tower, repairing the radio station building, improving the Foundation's broadcasting ability, and of the campaign itself. Allowance for doubtful accounts is estimated based on average bad debt loss experience.

4. LONG-TERM DEBT

	<u>2015</u>	<u>2014</u>
Mortgage note payable, dated August 1998, due in monthly installments of \$863 including interest at 6.0%, due September 2018. Collateralized by real property.	\$ 28,364	\$ 36,743
Less current portion of long-term debt	<u>8,941</u>	<u>8,422</u>
Total, net of current maturities	<u>\$ 19,423</u>	<u>\$ 28,321</u>

Future maturities under long-term borrowings are summarized by year as follows:

Year Ended September 30

2016	\$ 8,941
2017	9,493
2018	9,167
2019	<u>763</u>
Total	<u>\$ 28,364</u>

5. OPERATING LEASES

(continued)

The Foundation leases tower facilities under a 20-year operating lease, which expires in August 2021. The lease payments are to be increased yearly by the greater of 6% or the increase in the Consumer Price Index for all urban consumers. The lease payments are recognized on a straight-line basis during the lease term. At September 30, 2015, \$182,011 was reported as a liability to accrue the lease expense on a straight-line basis (\$192,655 for 2014). The monthly rent is \$6,299 through September 2015 plus utility charges with future Consumer Price Index increases.

5. OPERATING LEASES (continued)

In 2014, the Foundation entered into a lease agreement to lease space on an auxiliary broadcasting tower. The initial term of this lease is five years and expires in May 2019. The Foundation has the option to renew the lease for three additional five year periods. The monthly rent is \$1,000 through May 2019, plus utility charges and taxes. Rent will increase by 5% at the beginning of each renewal period.

The leases are amortized on a straight-line basis over the term of the lease. Total lease expense for the years ended September 30, 2015 and 2014 was \$87,926 and \$77,441 respectively.

Future minimum lease payments are as follows:

Year Ended September 30

2016		\$
	96,512	
2017		
	101,583	
2018		106,958
2019		
	108,655	
2020		
	106,695	
Thereafter		<u>103,672</u>
Total		<u>\$ 624,075</u>

6. DONATED SERVICES AND TANGIBLE ASSETS

The Foundation utilizes the services of many volunteers. The fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for

(continued)

recognition under generally accepted accounting principles. Total donated professional services meeting the criteria for recognition and recorded for the year ended September 30, 2015 and 2014 were \$11,018 and \$10,065, respectively.

Contributions of tangible assets are recognized at fair value when received. No tangible assets were received for the years ended September 30, 2015 and 2014.

7. FAIR VALUE MEASUREMENTS

United States generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The music collection library valuation was valued as a level 2 valuation, and was based on an appraisal which is periodically reviewed for impairment. These fair values are on a non-recurring basis. Management estimates these values to be reasonable.

Level 1 Fair Value Measurements are based on quoted prices (unadjusted) in active markets for identical assets that the reporting entity has the ability to access at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Fair Value Measurements are based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset.

Level 3 Fair Value Measurements are based on unobservable inputs for the asset. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that holds the asset. Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the (including assumptions about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.

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8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net asset activity consists of funds raised and expensed for the capital campaign and funds received and expensed for the Corporation for Public Broadcasting grant during the years ended September 30, 2015 and 2014. Temporarily restricted net asset balances consist of the following:

	<u>2015</u>	<u>2014</u>
Capital Campaign	\$ 337,304	\$ 213,707
Alliance Fund	2,917	-
CPB Grant	<u>26,535</u>	<u>24,353</u>
Total	<u>\$ 366,756</u>	<u>\$ 238,060</u>

9. PRIOR PERIOD ADJUSTMENT

During 2014, the CSG discussed in Note 1, was inadvertently under reported in revenue and reported as deferred revenue. This resulted in the underreporting of revenue by \$17,288. The entire restricted portion CSG should have also been recognized as revenue and reported as temporarily restricted net assets at the end of 2014. The accompanying financials statements have been restated to reflect the additional revenue and temporarily restricted net assets.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 31, 2016, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2015

	Program Services			Supporting Services				
	<u>Programming</u>	Community Events	Program Services	Total	Membership Development and <u>Fundraising</u>	<u>Underwriting</u>	Management and General	Total Support Services
Personnel costs	\$ 208,596	\$ 6,260	\$ 214,855	\$ 63,124	\$ 34,496	\$ 17,811	\$ 115,431	\$ 330,286
Dues and subscriptions	1,072	320	1,392	1,427	661	696	2,785	4,177
Professional and contract services	20,497	6,220	26,717	5,460	4,256	20,088	29,804	56,521
Bad debts	-	-	-	19,246	-	-	19,246	19,246
Computer expense	214	394	608	47	5,643	394	6,083	6,691
Staff travel	203	203	405	186	-	-	186	591
Rent	75,626	-	75,626	-	-	-	-	75,626

(continued)

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
SCHEDULE OF FUNCTIONAL EXPENSES (continued)

Utilities	1,267	1,267	2,534	1,267	1,267	1,267	3,802	6,336
Repairs and maintenance	2,618	1,400	4,018	1,036	916	1,035	2,987	7,005
Insurance	1,782	2,983	4,764	1,782	1,782	3,460	7,024	11,788
Membership premiums	-	-	-	17,378	-	-	17,378	17,378
Printing	1,996	654	2,650	1,193	876	583	2,652	5,302
Program acquisition and supplies	34,268	-	34,268	-	-	-	-	34,268
Supplies	1,653	1,190	2,843	7,914	1,918	1,860	11,692	14,535

For the Year Ended September 30, 2015

Program Services			Supporting Services								
<u>Programming</u>	<u>Events</u>	<u>Services</u>	<u>Total</u>	<u>Membership</u>	<u>Development</u>	<u>and</u>	<u>Management</u>	<u>and General</u>	<u>Total</u>	<u>Total</u>	
<u>Programming</u>	<u>Events</u>	<u>Services</u>	<u>Total</u>	<u>Fundraising</u>	<u>Underwriting</u>	<u>and</u>	<u>Management</u>	<u>and General</u>	<u>Support</u>	<u>Services</u>	<u>Total</u>

(continued)

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

SCHEDULE OF FUNCTIONAL EXPENSES (continued)

Telephone and internet	3,835	2,140	5,975	1,621	755	1,621	3,997	9,972
Fundraising	1,107	3,274	4,382	7,892	1,107	1,108	10,106	14,488
Advertising and marketing	1,116	7,957	9,073	2,874	1,020	1,020	4,913	13,986
Miscellaneous	390	205	595	195	135	415	745	1,340
Interest and bank charges	2,514	2,512	5,026	2,512	2,512	2,512	7,535	12,561
Real estate taxes	1,413	1,412	2,824	1,412	1,412	1,412	4,235	7,059
Depreciation and amortization	7,599	7,599	15,199	7,599	7,599	8,044	23,243	38,442
Barter transactions - donated services and supplies	-	-	-	-	100,352	-	100,352	100,352
Mortgage interest	395	395	791	395	395	395	1,185	1,976
Capital Campaign	-	-	-	52,865	-	-	52,865	52,865
Total	<u>\$ 368,161</u>	<u>\$ 46,385</u>	<u>\$ 414,546</u>	<u>\$ 197,425</u>	<u>\$ 167,101</u>	<u>\$ 63,719</u>	<u>\$ 428,245</u>	<u>\$ 842,791</u>

For the Year Ended September 30, 2014

Program Services

Supporting Services

(continued)

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
SCHEDULE OF FUNCTIONAL EXPENSES (continued)

	Community		Total	Membership		Total		
	<u>Programming</u>	Events	Program	Development	and	Management	Support	
			Services	<u>Fundraising</u>	<u>Underwriting</u>	<u>and General</u>	Services	Total
Personnel costs	\$ 191,606	\$ 5,750	\$ 197,356	\$ 57,983	\$ 31,686	\$ 16,360	\$ 106,029	\$ 303,385
Dues and subscriptions	958	286	1,244	1,275	591	622	2,488	
Professional and contract services	19,759	5,996	25,755	5,263	4,103	19,364	28,730	3,732
Bad debts	-	-	-	27,093	-	-	27,093	54,485
Computer expense	368	678	1,046	81	9,714	678	10,473	27,093
Staff travel	144	144	288	132	-	-	132	11,519
Rent	77,441	-	77,441	-	-	-	-	420
Utilities	1,265	1,265	2,530	1,265	1,265	1,265	3,795	77,441
Repairs and maintenance	2,555	1,366	3,921	1,011	894	1,010	2,915	6,325
Insurance	1,817	3,042	4,859	1,817	1,817	3,529	7,163	6,836
								12,022

(continued)

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
SCHEDULE OF FUNCTIONAL EXPENSES (continued)

Membership premiums	-	-	-	26,520	-	-	26,520	
								26,520
Printing	5,973	1,957	7,930	3,570	2,623	1,744	7,937	
								15,867
Program acquisition and supplies	7,916	-	7,916	-	-	-	-	
								7,916
Supplies	1,286	926	2,212	6,157	1,492	1,447	9,096	
								11,308

(continued)

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
SCHEDULE OF FUNCTIONAL EXPENSES (continued)

For the Year Ended September 30, 2014

	Program Services			Supporting Services				Total
	<u>Programming</u>	Events	Program Services	Membership Development and <u>Fundraising</u>	<u>Underwriting</u>	Management and <u>General</u>	Support Services	
Telephone and internet	4,421	2,467	6,888	1,869	870	1,868	4,607	11,495
Fundraising	2,058	6,087	8,145	14,670	2,058	2,059	18,787	26,932
Advertising and marketing	626	4,463	5,089	1,612	572	572	2,756	7,845
Miscellaneous	2,177	1,143	3,320	1,090	752	2,312	4,154	7,474
Interest and bank charges	2,593	2,591	5,184	2,591	2,591	2,591	7,773	12,957
Real estate taxes	1,302	1,301	2,603	1,301	1,301	1,301	3,903	6,506
Depreciation and amortization	4,833	4,833	9,666	4,833	4,833	5,116	14,782	24,448
Barter transactions - donated services and supplies	-	-	-	-	98,082	-	98,082	98,082

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

SCHEDULE OF FUNCTIONAL EXPENSES (continued)

Mortgage interest	<u>629</u>	<u>629</u>	<u>1,258</u>	<u>628</u>	<u>628</u>	<u>629</u>	<u>1,885</u>	<u>3,143</u>
Total	<u>\$ 329,727</u>	<u>\$ 44,924</u>	<u>\$ 374,651</u>	<u>\$ 160,761</u>	<u>\$ 165,872</u>	<u>\$ 62,467</u>	<u>\$ 389,100</u>	<u>\$ 763,751</u>