THE FOUNDATION FOR CREATIVE BROADCASTING, INC.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

RCM
REGIER CARR & MONROE, LLP, CPAs

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, 2016 and 2015, 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 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.

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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, 2016 and 2015, 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.

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 18-21 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 Carr & Monroe, L.L.P.

March 21, 2017
Tucson, Arizona

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 338,189	$ 256,721
Accounts receivable, net	126,056	134,831
Pledges receivable, net	49,643	91,872
Grants receivable	-	3,750
Prepaid expenses and other current assets	19,727	29,319
Total current assets	533,615	516,493
PROPERTY AND EQUIPMENT		
Land	11,160	11,160
Buildings and improvements	261,694	259,694
Furniture and equipment	52,274	52,274
Broadcast equipment	497,740	497,740
Total	822,868	820,868
Less accumulated depreciation	629,348	597,096
Total property and equipment, net	193,520	223,772
OTHER ASSETS		
Pledges receivable, net	15,908	28,348
Music library collection	48,657	48,657
Loan fees	520	772
Total other assets	65,085	77,777
Total assets	$ 792,220	$ 818,042

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

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2016 and 2015

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Accounts payable	$ 16,568	$ 14,276
Accrued payroll and related taxes	7,732	22,839
Due to Corporation for Public Broadcasting	92,531	92,531
Deferred revenue	582	3,572
Current portion of long-term debt	9,493	8,941
Total current liabilities	126,906	142,159
LONG-TERM LIABILITIES		
Lease payable	164,777	182,011
Long-term debt, less current portion	9,978	19,423
Total long-term liabilities	174,755	201,434
Total liabilities	301,661	343,593
NET ASSETS		
Unrestricted	92,075	107,693
Temporarily restricted	398,484	366,756
Total net assets	490,559	474,449
Total liabilities and net assets	$ 792,220	$ 818,042

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

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Memberships	$ 318,195	$ -	$ 318,195
Underwriting	165,308	-	165,308
Capital campaign	-	83,641	83,641
Program service revenue - concert admissions and sponsorship	21,283	-	21,283
Other program service revenue	2,423	-	2,423
Corporation for Public Broadcasting grants	81,308	28,464	109,772
Other grant revenues	13,759	4,000	17,759
Barter transactions - services and supplies	65,860	-	65,860
Donations	47,524	-	47,524
Other income	2,569	-	2,569
Net assets released from restrictions	84,377	(84,377)	-
Total revenues	$ 802,606	$ 31,728	$ 834,334
EXPENSES			
Program services			
Programming	383,896	-	383,896
Community events - concert activities	42,830	-	42,830
Total program services	426,726	-	426,726
Supporting services			
Membership development and fundraising	194,168	-	194,168
Underwriting solicitation	130,330	-	130,330
Management and general	67,000	-	67,000
Total supporting services	391,498	-	391,498
Total expenses	818,224	-	818,224
CHANGE IN NET ASSETS	(15,618)	31,728	16,110
NET ASSETS, BEGINNING OF YEAR	107,693	366,756	474,449
NET ASSETS, END OF YEAR	$ 92,075	$ 398,484	$ 490,559

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

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
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	30,391	-	30,391
Other program service revenue	3,600	-	3,600
Corporation for Public Broadcasting grants	77,913	27,905	105,818
Other grant revenues	20,250	5,000	25,250
Barter transactions - services and supplies	100,352	-	100,352
Donations	41,498	-	41,498
Other income	2,875	-	2,875
Net assets released from restrictions	80,671	(80,671)	-
Total revenues	801,318	128,696	930,014
EXPENSES			
Program services			
Programming	368,161	-	368,161
Community events - concert activities	46,385	-	46,385
Total program services	414,546	-	414,546
Supporting services			
Membership development and fundraising	197,425	-	197,425
Underwriting solicitation	167,101	-	167,101
Management and general	63,719	-	63,719
Total supporting services	428,245	-	428,245
Total expenses	842,791	-	842,791
CHANGE IN NET ASSETS	(41,473)	128,696	87,223
NET ASSETS, BEGINNING OF YEAR, RESTATED	149,166	238,060	387,226
NET ASSETS, END OF YEAR	$ 107,693	$ 366,756	$ 474,449

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

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 16,110	$ 87,223
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	32,504	38,442
Collection of contributions for capital campaign	(138,309)	(199,053)
Bad debt and allowance	18,841	12,013
Increase (decrease) in cash resulting from changes in		
Accounts receivable	(11,631)	(20,042)
Pledges receivable	59,984	29,406
Prepaid expenses and other assets	9,592	12,663
Accounts payable	2,292	(438)
Accrued payroll and related taxes	(15,107)	7,021
Lease expense payable	(17,234)	(10,644)
Deferred income	(2,990)	3,572
Net cash used by operating activities	(45,948)	(39,837)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,000)	(6,195)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(8,893)	(8,379)
Collection of contributions for capital campaign	138,309	199,053
Net cash provided by financing activities	129,416	190,674
Net increase in cash	81,468	144,642
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	256,721	112,079
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 338,189	$ 256,721
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	$ 1,460	$ 1,976

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

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

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.

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.

<u>Unrestricted net assets</u> – Net assets that are not subject to donor-imposed stipulations.

<u>Temporarily restricted net assets</u> – 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.

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 evaluated for collectibility and 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.

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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:

Asset classification	Life
• Buildings and improvements	7 - 39 years
• Furniture and equipment	3 - 7 years
• 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 1,500 locally-owned and -operated public television and radio stations. CPB distributes annual Community Service Grants ("CSGs") to qualifying noncommercial 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.

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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $9,469 and $13,986 for the years ended September 30, 2016 and 2015, 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 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 unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Recent Accounting Pronouncements

- Revenue Recognition

  In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), that will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Foundation's year ending June 30, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Foundation has not yet determined which application method it will use or the potential effects on the new standard on the financial statements, if any.

- Leases

  In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), that will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the consolidated balance sheet. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending June 30, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Non-Profit Organizations

  In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 948), which will change how not-for-profit organizations will report and present certain items in their financial statements. The new guidance will take effect for the year ending June 30, 2019. The significant changes are:

  - Simplification of net asset presentation – net assets will now be presented in two classes, "Net assets with donor restrictions," and "Net assets without donor restrictions."
  - All not-for-profit organizations will be required to present expenses in their natural classification (advertising, payroll, rent, etc.) and by function (program, general and administrative and fund raising).
  - Enhanced disclosure requirements related to presenting liquidity information and simplification of existing disclosure requirements related to investment returns and long lived assets purchased with donor-restricted funds.

  The Foundation currently presents a statement of functional expenses and has not yet determined the effect of applying the remaining requirements of the new standard on the financial statements.

2. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2016 and 2015 are comprised of the following:

	2016	2015
Membership pledges, net of allowance for doubtful accounts ($6,238 for 2016; $5,087 for 2015).	$ 100,055	$ 109,333
Underwriting and newsletter advertising	25,804	25,223
Other accounts receivable	197	275
Total	$ 126,056	$ 134,831

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 $26,443 and $26,485 for the years ended September 30, 2016 and 2015, respectively. The total loss if all parties fail to perform and collection efforts prove to be ineffective is the stated balance of $126,056 at September 30, 2016. The Foundation has no liens to reduce this credit risk.

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3. PLEDGES RECEIVABLE

Since 2012, the Foundation has been conducting a capital campaign to raise funds for the addition of an auxiliary broadcasting site, repairs to their current radio station facilities, and improvement of their broadcasting capabilities. Capital campaign pledges receivable at September 30, 2016 and 2015 represent unconditional promises to give as follows:

	2016	2015
Pledges receivable in less than one year	$ 57,881	$ 105,425
Pledges receivable in one to five years	17,502	30,104
Total	75,383	135,529
Less discount to present value at a rate of 5.0%	(1,594)	(1,756)
Less allowance for doubtful accounts	(8,238)	(13,553)
Net capital campaign pledges receivable	$ 65,551	$ 120,220

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

	2016	2015
Mortgage note payable, dated August 1998, due in monthly installments of $863 including interest at 6.0%, due September 2018. Collateralized by real property.	$ 19,471	$ 28,364
Less current portion of long-term debt	9,493	8,941
Total, net of current maturities	$ 9,978	$ 19,423

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

Year Ended September 30,	
2018	$ 9,493
2019	9,167
2020	811
Total	$ 19,471

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5. OPERATING LEASES

The Foundation leases tower facilities under a 20-year operating lease, which expires 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 amortized on a straight-line basis over the term of the lease. At September 30, 2016, $164,777 was reported as a liability to accrue the lease expense on a straight-line basis ($182,011 for 2015). The monthly rent is $7,043 through September 2016 plus utility charges.

In 2014, the Foundation entered into a five-year lease agreement to lease space on an auxiliary broadcasting tower. The lease expires May 2019, and 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.

In 2016, the Foundation entered into a five-year lease agreement for auxiliary broadcast studio space, located inside Hotel Congress in downtown Tucson. The lease expires June 2021, and the Foundation has the option to renew the lease for an additional five-year term. The monthly rent is $1,500 through June 2021, with an initial six-month period of rent forgiveness.

The Foundation’s leases are amortized on a straight-line basis over the term of the lease. Total lease expense for the years ended September 30, 2016 and 2015 was $94,640 and $87,926, respectively.

Future minimum lease payments are as follows:

Year Ended September 30	
2017	$ 116,583
2018	124,958
2019	126,655
2020	124,695
2021	117,172
Total	$ 610,063

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 recognition under generally accepted accounting principles. Total donated professional services meeting the criteria for recognition and recorded for the year ended September 30, 2016 and 2015 were $6,438 and $11,018, respectively.

Contributions of tangible assets are recognized at fair value when received. No tangible assets were received for the years ended September 30, 2016 and 2015.

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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, 2016 and 2015. Temporarily restricted net asset balances consist of the following:

	2016	2015
Capital Campaign	$ 370,423	$ 337,304
Alliance Fund	3,000	2,917
CPB Grant	25,061	26,535
Total	$ 398,484	$ 366,756

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 of the CSG should have also been recognized as revenue and reported as temporarily restricted net assets at the end of 2014. This adjustment resulted in a restatement of the net assets at the beginning of 2015 as noted in the accompanying financial statements.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 21, 2017, 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, 2016

	Program Services			Supporting Services				
	Programming	Community Events	Total Program Services	Membership Development and Fundraising	Underwriting	Management and General	Total Support Services	Total
Personnel costs	$ 215,950	$ 6,480	$ 222,430	$ 65,349	$ 35,711	$ 18,438	$ 119,498	$ 341,928
Dues and subscriptions	2,522	753	3,275	3,356	1,556	1,637	6,549	9,824
Professional and contract services	23,217	7,045	30,262	6,184	4,821	22,752	33,757	64,019
Bad debts	-	-	-	24,156	-	-	24,156	24,156
Computer expense	178	328	506	39	4,695	328	5,062	5,568
Staff travel	146	146	292	134	-	-	134	426
Rent	79,780	-	79,780	-	-	-	-	79,780
Utilities	1,181	1,181	2,362	1,181	1,181	1,181	3,543	5,905
Repairs and maintenance	1,779	951	2,730	704	623	703	2,030	4,760
Insurance	2,051	3,434	5,485	2,051	2,051	3,984	8,086	13,571
Membership premiums	-	-	-	12,193	-	-	12,193	12,193
Printing	2,576	844	3,420	1,539	1,131	752	3,422	6,842
Program acquisition and supplies	34,415	-	34,415	-	-	-	-	34,415
Supplies	1,374	989	2,363	6,579	1,594	1,546	9,719	12,082

(continued)

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
SCHEDULE OF FUNCTIONAL EXPENSES (continued)
For the Year Ended September 30, 2016

	Program Services			Supporting Services				
	Programming	Community Events	Total Program Services	Membership Development and Fundraising	Underwriting	Management and General	Total Support Services	Total
Telephone and internet	3,497	1,951	5,448	1,478	688	1,478	3,644	9,092
Fundraising	835	2,469	3,304	5,950	835	835	7,620	10,924
Advertising and marketing	756	5,387	6,143	1,946	690	690	3,326	9,469
Miscellaneous	2,663	1,398	4,061	1,333	920	2,828	5,081	9,142
Interest and bank charges	2,342	2,340	4,682	2,340	2,340	2,340	7,020	11,702
Real estate taxes	416	416	832	416	416	416	1,248	2,080
Depreciation and amortization	6,426	6,426	12,852	6,426	6,426	6,800	19,652	32,504
Barter transactions - donated services and supplies	1,500	-	1,500	-	64,360		64,360	65,860
Mortgage interest	292	292	584	292	292	292	876	1,460
Capital Campaign	-	-	-	50,522	-	-	50,522	50,522
Total	$ 383,896	$ 42,830	$ 426,726	$ 194,168	$ 130,330	$ 67,000	$ 391,498	$ 818,224

(continued)

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
SCHEDULE OF FUNCTIONAL EXPENSES (continued)
For the Year Ended September 30, 2015

	Program Services			Supporting Services				
	Programming	Community Events	Total Program Services	Membership Development and Fundraising	Underwriting	Management and General	Total Support Services	Total
Personnel costs	$208,596	$6,260	$ 214,856	$63,125	$34,495	$17,810	$ 115,430	$ 330,286
Dues and subscriptions	1,072	320	1,392	1,427	662	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	46	5,643	394	6,083	6,691
Staff travel	203	202	405	186	-	-	186	591
Rent	75,626	-	75,626	-	-	-	-	75,626
Utilities	1,267	1,267	2,534	1,267	1,267	1,268	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	2,982	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

(continued)

THE FOUNDATION FOR CREATIVE BROADCASTING, INC.
SCHEDULE OF FUNCTIONAL EXPENSES (continued)
For the Year Ended September 30, 2015

	Program Services			Supporting Services				
	Programming	Community Events	Total Program Services	Membership Development and Fundraising	Underwriting	Management and General	Total Support Services	Total
Telephone and internet	3,835	2,140	5,975	1,621	755	1,621	3,997	9,972
Fundraising	1,108	3,274	4,382	7,892	1,107	1,107	10,106	14,488
Advertising and marketing	1,116	7,957	9,073	2,873	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	2,511	2,512	7,535	12,561
Real estate taxes	1,412	1,412	2,824	1,412	1,412	1,411	4,235	7,059
Depreciation and amortization	7,599	7,600	15,199	7,600	7,599	8,044	23,243	38,442
Barter transactions - donated services and supplies	-	-	-	-	100,352	-	100,352	100,352
Mortgage interest	395	396	791	395	395	395	1,185	1,976
Capital Campaign	-	-	-	52,865	-	-	52,865	52,865
Total	$ 368,161	$ 46,385	$ 414,546	$ 197,425	$ 167,101	$ 63,719	$ 428,245	$ 842,791