FAMILY STATIONS, INC.

(A California Not-For-Profit Corporation)

And Its Affiliates

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND DECEMBER 31, 2016

FAMILY STATIONS, INC.
And Its Affiliates

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DECEMBER 31, 2017 AND 2016

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Independent Auditors' Report

The Board of Directors
Family Stations, Inc.

We have audited the accompanying consolidated financial statements of Family Stations, Inc. (a California not-for-profit Corporation) and its affiliates, which comprise the consolidated statements of financial position as of December 31, 2017 and December 31, 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Family Stations Inc.'s management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Family Stations, Inc. and affiliates as of December 31, 2017 and December 31, 2016, 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 consolidated financial statements as a whole. The accompanying supplementary information in Schedule I and Schedule II starting on page 19 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

RINA accountancy corporation

Certified Public Accountants

San Francisco, California
May 13, 2018

FAMILY STATIONS, INC.
And Its Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS		December 31, 2017		December 31, 2016
CURRENT:				
Cash and cash equivalents		$ 25,127,544		$ 13,702,715
Investments		19,845		28,109
Funds held in trust		331,645		331,645
Receivables:				
Accounts receivable		21,007		65,041
Employee receivables		7,979		13,826
Inventory of equipment on hand		12,530		12,530
Prepaid expenses		238,133		198,600
TOTAL CURRENT ASSETS		25,758,683		14,352,466
PROPERTY AND EQUIPMENT, net		17,078,590		16,809,765
OTHER:				
Federal Communications Commission licenses, net		38,168,851		38,442,227
Charitable remainder trusts		107,753		99,939
Escrow deposits and prepaid expenses		58,781		58,781
Other assets held for sale, fair market value		7,500		-
		$ 81,180,158		$ 69,763,178
LIABILITIES				
CURRENT:				
Accounts payable		$ 221,144		$ 252,838
Accrued liabilities		317,496		302,954
Tenant deposits		33,390		22,245
Listener and sponsor notes payable		331,645		331,645
Deferred revenue		-		200,000
TOTAL CURRENT LIABILITIES		903,675		1,109,682
LONG-TERM:				
Term loan debt financing, net of debt financing fees of $0 and $599,269, respectively		-		50,074,492
Revolving loan debt financing		-		1,174,958
Accrued loan fees		-		117,876
TOTAL LIABILITIES		903,675		52,477,008
NET ASSETS				
Unrestricted	$ 80,276,483		$ 17,286,170	
Temporarily restricted	-		-	
Permanently restricted	-		-	
		80,276,483		17,286,170
		$ 81,180,158		$ 69,763,178

See notes to consolidated financial statements.

FAMILY STATIONS, INC.
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CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31, 2017	December 31, 2016
SUPPORT AND REVENUE:		
Contributions	$ 4,812,670	$ 4,793,183
Program service fees	440,410	600,000
TOTAL SUPPORT AND REVENUE	5,253,080	5,393,183
OPERATING EXPENSES:		
Broadcasting stations	5,146,906	4,736,259
Departments	4,879,454	4,326,672
TOTAL OPERATING EXPENSES	10,026,360	9,062,931
EXCESS OF OPERATING EXPENSES OVER SUPPORT AND REVENUE	(4,773,280)	(3,669,748)
OTHER REVENUE (EXPENSES):		
Gain on sale of station licenses, property and equipment	71,300,467	2,177,051
Interest expense -amortization of debt financing fees	(599,300)	(360,744)
Lease income and air time revenue	498,609	497,726
Unrealized gain on charitable remainder trust	7,814	7,759
Miscellaneous revenue (expense)	(25,948)	132,139
Dividend and interest income	1,427	684
Unrealized (loss) gain on securities	(8,898)	237
Bad debt expense	-	(21,171)
Income and sales tax expense	(640)	(9,142)
Fees for sale of assets	-	(9,691)
Interest expense	(3,490,760)	(5,919,507)
Impairment loss	(310,521)	(5,746,290)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	62,598,970	(12,920,697)
OTHER CHANGES IN NET ASSETS:		
Liquidation of net assets of Family Stations New Jersey	391,343	-
INCREASE (DECREASE IN NET ASSETS)	62,990,313	(12,920,697)
NET ASSETS, beginning of year	17,286,170	30,206,867
NET ASSETS, end of year	$ 80,276,483	$ 17,286,170

See notes to consolidated financial statements.

FAMILY STATIONS, INC.
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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2017		Year Ended December 31, 2016	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Increase (decrease) in net assets		$ 62,598,970		$ (12,920,697)
Adjustments to reconcile changes in net assets to net cash provide (used) by operating activities:				
Depreciation	$ 685,811		$ 672,919	
Interest expense - amortization of debt financing fees	599,268		360,744	
Loss on impairment of assets held for sale- non-cash item	310,521		5,746,290	
Funds held in trust for others	-		34,109	
Gain on sale of property, equipment and station licenses	(71,300,467)		(2,177,051)	
Unrealized loss (gain) on marketable securities	8,264		(237)	
Capitalized interest on loan proceeds - non-cash item	3,491,283		5,911,599	
Unrealized gain on charitable remainder trusts	(7,814)		(7,759)	
Decrease (increase) in:				
Receivables	49,881		16,570	
Prepaid expenses	(39,533)		(85,523)	
Assets held for sale	(7,500)		-	
Increase (decrease) in:				
Accounts payable	(31,694)		(323,507)	
Accrued liabilities	14,542		(7,697)	
Tenant deposits	11,145		2,633	
Unearned revenue	(200,000)	(66,416,293)	-	10,143,090
NET CASH USED BY OPERATING ACTIVITIES		(3,817,323)		(2,777,607)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of station licenses, property and equipment	72,162,079		2,428,025	
Acquisition of property, equipment and station licenses	(1,462,049)		(1,995,175)	
Acquisition of marketable securities	-		(598)	
Note receivable	-		17,000	
Decrease (increase) in deposits and other prepaids	-		(19,750)	
NET CASH PROVIDED BY INVESTING ACTIVITIES		70,700,030		429,502
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments on notes payable	(55,457,878)		(34,109)	
NET CASH USED BY FINANCING ACTIVITIES		(55,457,878)		(34,109)
NET INCREASE (DECREASE) IN CASH		11,424,829		(2,382,214)
CASH AND CASH EQUIVALENTS, beginning of year		13,702,715		16,084,929
CASH AND CASH EQUIVALENTS, end of year		$ 25,127,544		$ 13,702,715
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Interest		$ -		$ 1,942
Income taxes		$ -		$ -

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS –
DECEMBER 31, 2017 AND DECEMBER 31, 2016

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

Family Stations, Inc. ("the Corporation") is a California not-for-profit corporation which proclaims the Christian message primarily through its radio network and online streaming. The Corporation accepts contributions from its listeners for its support.

Basis of Accounting:

The Corporation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

Affiliated entities:

Family Stations of New Jersey, Inc. was incorporated in 1986 as a New Jersey not-for-profit corporation. A majority of its directors are members of the Board of Directors of Family Stations, Inc. Pursuant to the terms of the Financing Agreement described in Note 9, Family Stations of New Jersey formed two single member limited liability companies under Delaware law in 2013. Family License Co., LLC holds the WFME license and Family OpCo, LLC owns the remaining assets. Family Stations of New Jersey is the single member owner of each LLC. Family Stations of New Jersey and its affiliated entities were dissolved on December 5, 2017. Upon dissolution, Family Stations of New Jersey distributed all of its assets to the Corporation under the provisions of the New Jersey Nonprofit Corporation Act.

Financial statement presentation:

For financial statement purposes all financial transactions are classified in accordance with professional accounting standards which require classification in one of three categories. The Corporation has three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, which consists of the following:

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they may be maintained permanently by the Corporation. There were no permanently restricted net assets at December 31, 2017 and December 31, 2016.

Temporarily restricted net assets – Net assets restricted by donor-imposed stipulations that either expire with the passage of time or the satisfaction of the stipulations by the Corporation. There were no temporarily restricted net assets at December 31, 2017 and December 31, 2016.

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

Principles of consolidation:

The accompanying consolidated financial statements include the accounts of the Corporation and its affiliate, Family Stations of New Jersey, Inc. Intercompany transactions and accounts have been eliminated.

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fair value measurements:

Professional accounting standards establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	Inputs to the valuation methodology include: • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measure at fair value:

Equity securities and debt securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The Corporation invests in various investments. Investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported on the statement of financial position.

Income taxes:

The Corporation has received notice of exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code as well as exemption from the various states in which it operates.

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash equivalents:

Cash equivalents are considered to be short-term, highly liquid investments with maturities of three months or less.

Accounts receivables:

The Corporation uses an allowance method of accounting for bad debts. The Corporation determined that no allowance was necessary for the year ended December 31, 2017 or December 31, 2016. It is the Corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Assets held for sale or investment:

Assets that are held for sale or investment are recorded at the fair value of the item at the time of donation.

Depreciation:

The Corporation computes depreciation on its property and equipment using the straight-line method of accounting with useful lives from five to forty years. It is the Corporation's policy to capitalize fixed assets costing in excess of $5,000 with an estimated useful life of greater than one year.

Prepaid station acquisition costs:

Certain costs relating to the obtaining of Federal Communications Commission licenses are deferred until the status of the Corporation's FCC application is finalized. These costs are either (1) recorded as the cost of the license upon final FCC approval, or (2) recorded as an expense when the application is dismissed or abandoned. Costs treated in this manner include legal fees, engineering studies, and purchases of FCC construction permits from other parties. Primarily, internal costs relating to the acquisition of licenses, such as salaries of Corporation personnel, are charged to expense as incurred.

Recognition of support from contributions:

Mailed contributions are treated as receipts of the year in which the contributions were mailed. Gifts of assets are recorded at their estimated fair value when the Corporation is notified of the gift.

Charitable remainder trusts:

The Corporation has been named as a beneficiary of one charitable remainder trust which is administered by third parties. Payments are made to beneficiaries at 5% annually of the fair market value of trust assets until the death of the donor at which time the remaining assets will be distributed to the Corporation. The value of the trusts, using Level 3 methodologies, are reported based on the present value of the projected value of the trust at the estimated termination date, net of the present value of amounts due to the income beneficiaries over the term of the trust. The discount rate used in the present value calculation was 7.4 % with an assumed growth rate on investments of 5%. Changes in the calculated net present value are reported in the statement of activities annually.

Intangible assets:

Accounting principles generally accepted in the United States of America require that goodwill and intangible assets with indefinite lives are not amortized but reviewed annually for impairment. Intangible assets that are deemed to have a definite life are amortized over their useful lives.

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Long-lived assets:

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such impairment loss would be measured as the difference between the carrying amount of the asset and its fair value. The Corporation has determined that the value of certain equipment was impaired in value in the amount of $310,521 as of December 31, 2017.

Recent accounting pronouncements:

In August 2015 the Financial Accounting Standards Board ("FASB") issued *Accounting Standards Update No. 2015-15*, *Interest – Imputation of Interest,* which requires entities to present debt issuance costs related to recognized debt liability as a direct deduction from the carrying amount of that debt liability. Debt issuance costs represent financing fees and expenses that have been capitalized in conjunction with financing arrangements. These costs are amortized to interest expense over the term of the respective loans. Debt issuance costs are reported on the balance sheet as a direct deduction from the carrying amount of the debt. The pronouncement is effective for fiscal years beginning after December 15, 2015.

Subsequent events:

Management has evaluated subsequent events through May 13, 2018 the date which the financial statements were available for issue.

Note 2. NATURE OF ESTIMATES:

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Corporation places its cash and cash equivalents with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. The Corporation has not experienced any losses in such accounts.

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Note 4. INVESTMENTS:

The following table sets forth by level, the Corporation's investment assets at fair value as of December 31, 2017 and 2016:

	Assets at Fair Value as of December 31, 2017			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Marketable securities	$ 19,845	$ -	$ -	$ 19,845
Charitable remainder trusts	-	-	107,753	107,753
Assets at fair value	$ 19,845	$ -	$ 107,753	$ 127,598

	Assets at Fair Value as of December 31, 2016			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Marketable securities	$ 28,109	$ -	$ -	$ 28,109
Charitable remainder trusts	-	-	99,939	99,939
Assets at fair value	$ 28,109	$ -	$ 99,939	$ 128,048

The following table sets forth a summary of changes in the fair value of level 3 assets for the year ended December 31, 2017:

	Charitable Remainder Trust
Balance, beginning of year	$ 99,939
Unrealized gains relating to instrument still held at the reporting date	7,814
Balance, at end of year	$ 107,753

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Note 5. PREPAID EXPENSES:

Prepaid expenses consist of the following at December 31, 2017 and December 31, 2016:

	2017	2016
Broadcasting costs	$ 108,336	$ 28,776
Insurance	41,077	27,724
Postage	17,478	3,380
Prepaid real estate taxes	71,242	130,380
Miscellaneous	-	8,340
Totals	$ 238,133	$ 198,600

Note 6. PROPERTY AND EQUIPMENT:

Property and equipment at December 31, 2017 comprised the following:

	Cost	Accumulated Depreciation	Net
Land and improvements	$ 8,252,933	$ -	$ 8,252,933
Building	5,687,846	(669,280)	5,018,566
Leasehold improvements	2,692,592	(2,525,755)	166,837
Towers, transmitters, antenna systems and translators	7,679,690	(5,887,823)	1,791,867
Studio equipment	2,266,895	(2,029,500)	237,395
Office equipment	2,666,193	(2,502,091)	164,102
Automobiles	61,308	(61,308)	-
Satellite system	1,086,083	(882,740)	203,343
IT infrastructure & end-user	776,141	(342,008)	434,133
Construction in progress	809,415	-	809,415
Totals	$ 31,979,096	$ (14,900,505)	$ 17,078,591

Note 6. PROPERTY AND EQUIPMENT (Continued):

Property and equipment at December 31, 2016 comprised the following:

	Cost	Accumulated Depreciation	Net
Land and improvements	$ 8,291,843	$ (251)	$ 8,291,592
Building	5,765,630	(548,507)	5,217,123
Leasehold improvements	2,558,406	(2,507,191)	51,215
Towers, transmitters, antenna systems and translators	7,919,721	(5,769,268)	2,150,453
Studio equipment	2,271,142	(1,997,643)	273,499
Office equipment	2,667,818	(2,475,232)	192,586
Automobiles	61,308	(61,308)	-
Satellite system	1,080,559	(853,529)	227,030
IT infrastructure & end-user	494,049	(208,270)	285,779
Construction in progress	120,488	-	120,488
Totals	$ 31,230,964	$ (14,421,199)	$ 16,809,765

Depreciation expense for the years ended December 31, 2017 and December 31, 2016 were $685,811 and $672,919 respectively.

Note 7. FEDERAL COMMUNICATIONS COMMISSION LICENSES:

Prior to January 1, 2002, the costs of some of the Corporation's Federal Communication Commission licenses had been amortized by the Corporation on a straight-line basis over a period of forty years as required by generally accepted accounting principles then in effect. In accordance with accounting standards, this systematic amortization of license costs was discontinued. The Corporation evaluates these assets on an annual basis for potential impairment. The Corporation has determined that the value of its Federal Communications Licenses were not impaired as of December 31, 2017 . The Corporation has determined that the value of two of its AM stations in the Baltimore area were impaired in value in the amount of $ 5,746,290 as of December 31, 2016 .

The aggregate station license costs and accumulated amortization are as follows:

	December 31, 2017	December 31, 2016
FCC licenses, cost	$ 40,477,184	$ 40,565,565
FCC licenses held for sale, cost	-	184,995
Less accumulated amortization	(2,308,333)	(2,308,333)
Net costs	$ 38,168,851	$ 38,442,227

Note 7. FEDERAL COMMUNICATIONS COMMISSION LICENSES (Continued):

On December 16, 2015, Family Stations of New Jersey, Inc. ("FSINJ") filed notice with the FCC of its intent to tender its station license in connection with Incentive Auction 1001. On March 28, 2016, FSINJ submitted an Initial Commitment to the FCC to participate in the auction. The FCC has announced that the auction has satisfied the requirements of the incentive auction's Final Stage Rule and the Forward Auction was concluded on February 10, 2017. The Corporation received proceeds of $120,974,061 on July 23, 2017 from the sale of the license pursuant to the Spectrum Auction. Of that amount, 14% or $16,936,369 was paid to FSINJ and the remainder to CF WFME, LLC pursuant to the agreements described in Note 9.

The Corporation calculated the net gain on the transaction as follows:

Proceeds from FCC spectrum license sale	$ 120,974,061
Payment to CF WFME, LLC pursuant to agreements described in Note 9	(48,580,337)
Book value of station license	(184,995)
Selling expenses	(772,262)
Net gain on sale	$ 71,436,467

Note 8. ACCRUED LIABILITIES:

Accrued liabilities consist of the following at December 31, 2017 and December 31, 2016:

	2017	2016
Interest payable	$ 13,329	$ 13,329
PTO	132,555	138,984
Payroll and taxes	112,871	104,074
Accrued state unemployment tax	3,953	2,398
Other	54,788	44,169
Totals	$ 317,496	$ 302,954

Note 9. NOTES PAYABLE:

On September 3, 2013, Family Stations of New Jersey, Inc. ("FSINJ") entered into a Financing Agreement with CF WFME, LLC as Administrative Agent and Lender ("Lender"). Pursuant to the terms of the agreement, Lender extended credit to FSINJ consisting of (a) a revolving credit facility not to exceed $3,000,000 at any time and (b) a term loan in the aggregate amount of $34,000,000. Interest is payable at 12% annually, provided however, that interest is to be paid by adding it quarterly to the principal amount outstanding under either the revolving credit facility or the term loan.

Note 9. NOTES PAYABLE (Continued):

In concert with the Financing Agreement, the parties also entered into a Participation Agreement. Under the terms of the Participation Agreement, FSINJ is obligated to sell to Lender all of FSINJ's share of license disposition proceeds. Upon completion of the FCC Auction, FSINJ is entitled to receive 14% of the proceeds of the FCC Auction (after payment of costs, expenses and transfer taxes). The remaining proceeds shall be used to repay amounts outstanding under the Financing Agreement and then to the Lenders. Upon completion of the FCC Spectrum Auction, the Financing Agreement and Participation Agreement were satisfied by the parties and the proceeds were distributed in accord with the agreements in July 2017.

The revolving credit facility funded the ongoing operations of Family OpCo, LLC. The term loan was made to facilitate the participation of the Lenders in the outcome of the FCC Auction. As of December 31, 2017, there was $0 outstanding under the revolving credit facility and $0 outstanding under the term loan. As of December 31, 2016, there was $1,174,958 outstanding under the revolving credit facility and $50,673,761 outstanding under the term loan.

The term loan added interest to principal totaling $3,408,168 and $5,738,096 in 2017 and 2016, respectively.

The revolving credit facility added interest to principal totaling $82,591 and $138,149 in 2017 and 2016, respectively.

Amount of interest charges to expense totaled $3,490,760 and $5,911,600 in 2017 and 2016, respectively.

Note 10. NOTES PAYABLE TO SPONSORS:

On December 1, 2014 the Corporation retired all promissory notes to sponsors. The total amount of funds held in trust for disbursement to sponsors totaled $331,645and $331,645 at December 31, 2017 and 2016, respectively. These funds have been classified as a current liability.

Note 11. SALE OF STATION LICENSES AND ASSETS:

During the year ended December 31, 2017, the Corporation sold the following stations and assets:

	Proceeds and Asset Exchanges	Book Value & Closing Costs	Gain / (Loss)
WFME	$ 72,393,724	$ 957,258	$71,436,466
KKAA & KQKD	84,489	284,749	(200,260)
W2874AB	37,261	-	37,261
Other	27,000	-	27,000
	$ 72,542,474	$ 1,242,007	$71,300,467

Note 11. SALE OF STATION LICENSES AND ASSETS (Continued):

During the year ended December 31, 2016, the Corporation sold the following stations and assets:

	Proceeds and Asset Exchanges	Book Value & Closing Costs	Gain / (Loss)
Office building	$ 1,312,216	$ (61,721)	$ 1,250,495
Real property - parking	361,535	(2,500)	359,035
KPOR	315,000	(24,863)	290,137
W241BK/W239	80,000	(25,677)	54,323
K236AA	60,000	(2,500)	57,500
K201CQ; W208BU	55,000	(8,879)	46,121
W287AB	53,150	(2,502)	50,648
W255BC	50,000	(15,911)	34,089
W286BJ	50,000	(7,782)	42,218
W243CT; AJEJMC	40,000	(7,837)	32,163
K225BB	40,000	(25,560)	14,440
K211FX	35,000	(2,504)	32,496
K11VZ-D - KRDT	22,000	(50,905)	(28,905)
SMYRNA	17,000	(2,500)	14,500
KYTL	5,000	(75,912)	(70,912)
Other Smaller Assets	2,500	(3,798)	(1,298)
	$ 2,498,401	$ (321,350)	$ 2,177,051

Note 12. LEASE INCOME AND AIR-TIME REVENUE:

Lease income:

The Corporation leases out vacant spaces to various different tenants in locations across the US. The corporation had nine leases in 2017 and seven leases in 2016, which provided lease income of $349,971 and $345,938 , respectively, for the years ended December 31, 2017 and 2016.

Tower Share Rentals:

The Corporation receives tower share income for space rented on its towers. The Corporation had two contracts, for tower share rentals in the years ended December31, 2017 and 2016. One contract will provide The Corporation with $146,000 annually until the contract terminates in 2020. The other contract is for $5,400 annually.

The Corporation received $148,638 and $151,788 in gross revenue under these agreements during the years ended December 31, 2017 and December 31, 2016, respectively.

Television facilities:

On March 20, 2015, the Corporation entered into an agreement with Metro Chinese Network Distributors, to broadcast the networks English and foreign language television program service which features world news, informational and light entertainment programming originating from China. This agreement is for $50,000 a month and ended in July 2017.

Note 13. OPERATING EXPENSES:

Major categories of operating expenses are as follows:

	Years Ended December 31,	
	2017	2016
Program Services	$ 7,016,720	$ 6,472,573
Management & General	2,224,253	1,683,733
Fundraising	785,387	906,626
Totals	$ 10,026,360	$ 9,062,932

Note 14. COMMITMENTS:

At December 31, 2017, the Corporation has multiple long-term operating type leases for certain transmitter sites, office space, and satellite channels. These leases are subject to automatic renewal periods ranging from 5 – 10 years with annual escalations from CPI – 5% depending on the lease. A majority of these leases are restricted from subleasing. The Corporation is liable for minimum annual lease payments as follows:

Year Ending December 31,	
2017	$ 967,861
2018	688,856
2019	494,944
2020	380,091
2021	225,610
Thereafter	527,881
Total	$ 3,285,243

Rent expense was $1,360,731 and $1,391,388 and for the years ended December 31, 2017 and 2016, respectively.

Note 15. CONTINGENCIES:

The Corporation is party to various claims that arise in the normal course of business. Management believes that the resolution of any potential claims will not materially impact the financial position of the Corporation.

FAMILY STATIONS, INC.
And Its Affiliates

SUPPLEMENTARY INFORMATION

FAMILY STATIONS, INC.
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SCHEDULE I
CONSOLIDATED SUPPORT FROM CONTRIBUTIONS

		Year Ended December 31, 2017		Year Ended December 31, 2016	
WFME-AM	Queens, NY	$ 1,064,482	22.12 %	$ 223,981	4.67 %
KEAR-AM	San Francisco, CA	521,676	10.84	666,039	13.90
ONLINE & MOBILE		413,117	8.58	-	-
WFSI-AM	Baltimore, MD	319,651	6.64	340,717	7.11
WKDN-AM	Philadelphia, PA	318,588	6.62	371,941	7.76
KEBR-AM & KEAR FM	Sacramento, CA	285,985	5.94	220,705	4.60
KFRN-AM	Long Beach, CA	168,512	3.50	210,980	4.40
KECR-AM	El Cajon, CA	162,316	3.37	185,475	3.87
WJCH-FM	Joilet, IL	136,771	2.84	155,710	3.25
WFCH-FM	Charleston, SC	122,292	2.54	46,162	0.96
WFRC-FM	Columbus, GA	112,555	2.34	22,203	0.46
WFRS-FM	Smithtown, NY	111,420	2.32	127,223	2.65
WJFR-FM	Jacksonville, FL	47,147	0.98	78,451	1.64
WFME	Kisco, NY	41,604	0.86	843,380	17.60
K238AC-FX	Salida, CA	41,384	0.86	-	-
WMWK-FM	Milwaukee, WI	39,477	0.82	35,490	0.74
WYTN-FM	Youngstown, OH	33,649	0.70	16,953	0.35
KDFR-FM	Des Moines, IA	32,581	0.68	34,743	0.72
WWFR-FM	Okeechobee, FL	30,005	0.62	76,739	1.60
WCUE-AM	Cuyahoga Falls, OH	29,108	0.60	43,032	0.90
WFBF-FM	Buffalo, NY	27,079	0.56	26,371	0.55
WOTL-FM	Toledo, OH	26,053	0.54	37,344	0.78
KEFR-FM	Le Grand, CA	24,667	0.51	88,033	1.84
K205CI-FX	Phoenix, AZ	24,474	0.51	-	-
KFNO-FM	Fresno, CA	22,403	0.47	24,027	0.50
KYFR-AM	Shenandoah, IA	21,550	0.45	45,834	0.96
KTXB-FM	Beaumont, TX	17,600	0.37	54,271	1.13
WFRJ-FM	Johnstown, PA	15,602	0.32	19,236	0.40
KFRB-FM	Bakersfield, CA	15,582	0.32	1,352	0.03
KHAP-FM	Chico, CA	11,344	0.24	32,513	0.68

FAMILY STATIONS, INC.
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SCHEDULE I
CONSOLIDATED SUPPORT FROM CONTRIBUTIONS

		Year Ended December 31, 2017		Year Ended December 31, 2016	
KQFE-FM	Springfield, OR	$ 10,609	0.22 %	$ 18,753	0.39 %
KPHF-FM	Phoenix, AZ	8,796	0.18	37,848	0.79
WBFR-FM	Birmingham, AL	8,771	0.18	16,676	0.35
KFRP-FM	Coalinga, CA	8,230	0.17	492	0.01
WCTF-AM	Vernon, CT	7,803	0.16	29,155	0.61
W213AC-FX	Hyde Park, NY	7,334	0.15	-	-
K219BX-FX	El Paso, TX	6,954	0.14	-	-
W280CV-FX	Scranton, PA	6,385	0.13	-	-
WOFR	Schoolcraft, MI	6,327	0.13	1,984	0.04
KFRY	Pueblo, CO	5,552	0.12	2,952	0.06
WEFR-FM	Erie, PA	5,263	0.11	50,194	1.05
K254AK-FX	Reno, NV	5,126	0.11	-	-
K220EY-FX	Porterville, CA	5,005	0.10	-	-
K211GA-FX	Carson City, NV	4,800	0.10	-	-
KFRD	Butte, MT	4,836	0.10	6,042	0.13
WMFL	Florida City, FL	4,458	0.09	31,614	0.66
K220GM-FX	Placitas, NM	4,168	0.09	-	-
WFRH-FM	Kingston, NY	3,881	0.08	11,026	0.23
W282BT-FX	Bellefonte, PA	3,824	0.08	-	-
W220BD-FX	Roanoke, VA	3,600	0.07	-	-
KUFR-FM	Salt Lake City, UT	2,701	0.06	29,389	0.61
KPFR	Pine Grove, OR	2,506	0.05	1,005	0.02
WUFR	Bedford, PA	2,341	0.05	1,036	0.02
KYOR-FM	Newport, OR	2,305	0.05	3,898	0.08
KJVH-FM	Longview, WA	2,265	0.05	30,711	0.64
KFRJ-FM	China Lake, CA	2,100	0.04	3,549	0.07
KFRW	Great Falls, MT	1,215	0.03	1,740	0.04
KPRA-FM	Ukiah, CA	1,040	0.02	30,037	0.63
WFRP-FM	Americus, GA	940	0.02	18,188	0.38
W252AQ-FX	Lake Charles, LA	2,555	0.05	-	-

FAMILY STATIONS, INC.
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SCHEDULE I
CONSOLIDATED SUPPORT FROM CONTRIBUTIONS

		Year Ended December 31, 2017		Year Ended December 31, 2016	
W214AB-FX	Bedford, PA	$ 2,420	0.05 %	$ -	- %
W207AB-FX	Atlantic City, NJ	2,405	0.05	-	-
K223AO-FX	Florence, OR	2,361	0.05	-	-
K219AO	Fairmont, CA	2,134	0.04	-	-
W233AD-FX	Rockford, IL	2,023	0.04		
K240ET-FX	Billings, MT	1,961	0.04	-	-
W207AG-FX	Freeland, PA	1,920	0.04	-	-
K214BO-FX	Ashland, OR	1,540	0.03	-	-
K213BZ-FX	Richvale, CA	1,456	0.03	-	-
K217CD-FX	Great Falls, MT	1,075	0.02	-	-
K220EI-FX	Ogden, UT	800	0.02	-	-
K227AH-FX	Riverpines, CA	790	0.02	-	-
K261BF	Black Butte, OR	710	0.01	-	-
W249BD-FX	West View, PA	659	0.01	-	-
W207AX-FX	Burlington, VT	597	0.01	-	-
W295AF-FX	La Porte, IN	500	0.01	-	-
K206DU-FX	Lafayette, LA	405	0.01	-	-
WKDN-FM	State College, PA	400	0.01	-	-
W208AF-FX	Nanticoke, PA	355	0.01	-	-
K213CH-FX	Ridgecrest, CA	340	0.01	-	-
K241AJ	Palmdale,CA	100	-	-	-
W207AE-FX	Reading, PA	92	-	-	-
K203BE-FX	Roseburg, OR	90	-	-	-
KXFR	Socorro, NM	65	-	4,080	0.09
W282BI-FX	Catskill, NY	60	-	-	-
KQKD-AM	Redfield, SD	40	-	355	0.01
K254AG	Gonzales, CA	25	-	-	-
K268AJ-FX	Redding, CA	5	-	-	-
WFUR-AM	Grand Rapids, MI	-	-	13,735	0.29
KKAA-AM	Aberdeen, SD	-	-	1,766	0.04
Syndicated programming		-	-	4,565	0.10
Unclassified		25,803	0.54	9,206	0.19
Legacies & Royalties		385,760	8.02	407,591	8.50
Gross Support from contributions		4,817,255	100.10	4,796,492	100.07
Contribution recalled or non-sufficient funds		(4,584)	(0.10)	(3,308)	(0.07)
TOTAL SUPPORT FROM CONTRIBUTIONS		$ 4,812,671	100.0 %	$ 4,793,184	100.0 %

FAMILY STATIONS, INC.
And Its Affiliates

SCHEDULE II
CONSOLIDATED OPERATING EXPENSES – BROADCASTING STATIONS

	Year Ended December 31, 2017		Year Ended December 31, 2016	
PERSONNEL:				
Salaries and wages	$ 820,101	15.6 %	$ 744,106	13.8 %
Employee benefits	41,624	0.8	38,826	0.7
Payroll taxes	79,462	1.5	72,002	1.3
Totals	941,187	17.9	854,934	15.9
DIRECT BROADCASTING:				
Rentals	1,354,551	25.8	1,312,969	24.3
Utilities	564,937	10.8	585,544	10.9
Depreciation	382,597	7.3	498,059	9.2
Satellite rental expense	85,781	1.6	123,790	2.3
Service monitor-stations	371,475	7.1	295,670	5.5
Telephone lines	309,890	5.9	328,608	6.1
Time purchases	87,986	1.7	118,782	2.2
Repairs and parts	44,735	0.9	3,106	0.1
Automobile expenses	48,044	0.9	39,281	0.7
Other	11,872	0.2	-	-
Printing & copying	157,777	3.0	-	-
Advertising	2,150	0.0	2,752	-
Totals	3,421,795	65.1	3,308,562	61.3
GENERAL:				
Professional services	180,837	3.4	135,491	2.5
Dues and fees	341,980	6.5	294,663	5.5
Rentals and property taxes	175,571	3.3	112,194	2.1
Travel and auto	27,339	0.5	18,581	0.3
Office supplies, postage, and printing	17,832	0.3	7,355	0.1
Repairs and maintenance	4,407	-	4,480	-
Insurance	35,958	0.7	-	-
Totals	783,924	14.9	572,764	10.6
TOTAL OPERATING EXPENSES - BROADCASTING STATIONS	$ 5,146,906	98.0 %	$ 4,736,259	87.8 %

FAMILY STATIONS, INC.
And Its Affiliates

SCHEDULE II
CONSOLIDATED OPERATING EXPENSES – DEPARTMENTS

	Year Ended December 31, 2017		Year Ended December 31, 2016	
PERSONNEL:				
Salaries and wages	$ 1,480,085	28.2 %	$ 1,337,745	24.8 %
Payroll taxes	96,520	1.8	128,177	2.4
Employee benefits	100,189	1.9	87,598	1.6
Totals	1,676,794	31.9	1,553,520	28.8
DIRECT BROADCASTING:				
Professional services	100,354	1.9	111,718	2.1
Telephone lines	17,306	0.3	19,262	0.4
Depreciation	44,778	0.9	46,436	0.9
Repairs and parts	3,302	0.1	1,657	0.0
Travel	-	-	3,721	0.1
Time purchased	27,280	-	-	-
Totals	193,020	3.2	182,794	3.4
GENERAL:				
Salaries and wages	944,550	18.0	997,379	18.5
Professional services	344,647	6.6	270,688	5.0
Utilities and telephone	178,825	3.4	184,171	3.4
Postage and printing for direct mail	379,674	7.2	292,731	5.4
Payroll taxes	76,780	1.5	119,317	2.2
Office supplies, postage and printing	61,869	1.2	178,844	3.3
Rents and property taxes	304,264	5.8	99,285	1.8
Employee benefits	93,531	1.8	108,020	2.0
Depreciation	258,486	4.9	128,424	2.4
Insurance	92,648	1.8	35,501	0.7
Repairs and maintenance	49,201	0.9	74,182	1.4
Dues and fees	181,121	3.4	74,600	1.4
Travel and auto	44,044	0.8	27,217	0.5
Totals	3,009,640	57.3	2,590,359	48.0
TOTAL OPERATING EXPENSES DEPARTMENTS	$ 4,879,454	93.0 %	$ 4,326,672	80.3 %