BLUE RIDGE BROADCASTING CORPORATION
(An Affiliate of the Billy Graham Evangelistic Association)

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2016 and 2015

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

BLUE RIDGE BROADCASTING CORPORATION
(An Affiliate of the Billy Graham Evangelistic Association)
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Report of Independent Auditor

To the Board of Directors
Blue Ridge Broadcasting Corporation
Black Mountain, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Blue Ridge Broadcasting Corporation (the "Corporation"), which comprise the statements of financial position as of December 31, 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 audits 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Ridge Broadcasting Corporation as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cherry Bekaert LLP

Charlotte, North Carolina
March 24, 2017

BLUE RIDGE BROADCASTING CORPORATION
(An Affiliate of the Billy Graham Evangelistic Association)
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 798,287	$ 921,176
Accounts receivable	219,761	212,715
Other receivables	12,656	10,759
Prepaid expenses	7,543	4,266
Total Current Assets	1,038,247	1,148,916
Investments	4,929,029	4,390,016
Property and Equipment, net	1,293,823	1,195,767
Investments, Board-designated endowment	1,297,968	1,169,491
Intangible Asset	1,200,000	1,425,000
Total Assets	$ 9,759,067	$ 9,329,190
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 81,456	$ 29,592
Accrued expenses	216,612	195,127
Amounts held for others	-	104,482
Contribution payable	72,422	76,455
Deferred revenue	11,034	2,447
Total Current Liabilities	381,524	408,103
Net Assets:		
Unrestricted, undesignated	8,079,575	7,751,596
Unrestricted, Board-designated endowment	1,297,968	1,169,491
Total Net Assets	9,377,543	8,921,087
Total Liabilities and Net Assets	$ 9,759,067	$ 9,329,190

BLUE RIDGE BROADCASTING CORPORATION
(An Affiliate of the Billy Graham Evangelistic Association)
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Support and revenue:		
Program revenue	$ 726,932	$ 732,181
Donations	3,022,987	2,650,188
Contributed goods and services	-	3,196
Rental income	165,110	158,229
Net investment income (loss)	667,490	(126,303)
Third-party reimbursement	92,161	87,035
Miscellaneous income	1,934	1,669
Total Revenues, Gains, and Other Support	4,676,614	3,506,195
Expenses:		
Program expenses	3,640,144	3,364,197
Supporting services:		
Fundraising	322,512	306,246
General and administrative	257,502	244,195
Total Expenses	4,220,158	3,914,638
Change in net assets	456,456	(408,443)
Net assets, beginning of year	8,921,087	9,329,530
Net assets, end of year	$ 9,377,543	$ 8,921,087

The accompanying notes to financial statements are an integral part of these statements.

BLUE RIDGE BROADCASTING CORPORATION
(An Affiliate of the Billy Graham Evangelistic Association)
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 456,456	$ (408,443)
Adjustments to reconcile change in net assets to		
net cash provided by operating activities:		
Depreciation	233,941	233,042
Contribution of property	-	(3,196)
Net realized/unrealized (gains) losses on investments	(417,012)	392,200
Impairment of intangible asset	225,000	-
Changes in operating assets and liabilities:		
Accounts receivable	(7,046)	(5,875)
Other receivables	(1,897)	(4,534)
Prepaid expenses	(3,277)	(3,406)
Accounts payable	51,864	(33,453)
Accrued expenses	21,485	(2,608)
Amounts held for others	(104,482)	18,549
Contribution payable	(4,033)	(23,706)
Deferred revenue	8,587	226
Net cash from operating activities	459,586	158,796
Cash flows from investing activities		
Purchases of property and equipment	(331,997)	(136,088)
Net purchase of investments	(250,478)	(265,898)
Net cash from investing activities	(582,475)	(401,986)
Net decrease in cash and cash equivalents	(122,889)	(243,190)
Cash and cash equivalents, beginning of year	921,176	1,164,366
Cash and cash equivalents, end of year	$ 798,287	$ 921,176

Note 1—Nature of operations and summary of significant accounting policies

Corporation – Blue Ridge Broadcasting Corporation (the "Corporation") was incorporated in the state of North Carolina on January 2, 1959, as a non-profit corporation. The Corporation operates two FM radio stations (WMIT and WFGW-FM) exclusively for religious, educational, and charitable purposes.

The Corporation is affiliated with the Billy Graham Evangelistic Association ("BGEA") as a listener-supported ministry.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Financial Accounting Standards Board ("FASB") has established the Accounting Standards Codification ("ASC") as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Unrestricted net assets* are both undesignated and designated in nature. Undesignated, unrestricted net assets are those currently available for use in the day-to-day operation of the Corporation and those resources invested in furniture and equipment. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Corporation. Such amounts would be reflected as unrestricted, board-designated net assets in the accompanying statements of financial position.
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> *Temporarily restricted net assets* are contributions subject to donor-imposed stipulations or laws that may or will be met either by specific actions of the Corporation and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same report period in which the contribution is received, the contribution is reported as unrestricted. There were no temporarily restricted net assets as of December 31, 2016 or 2015.
>
> *Permanently restricted net assets* are those subject to donor-imposed stipulations that they be maintained permanently by the Corporation. There were no permanently restricted net assets as of December 31, 2016 or 2015.

Revenue Recognition – Contributions are recognized as revenues in the period made. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted revenue. The Corporation receives promises to provide contributions in the form of faith promises. Because these contributions are based on faith and no binding commitment is made, they are not recorded in the financial statements until the contribution has been received.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Program revenues are recognized when earned based on aired radio broadcasts.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Contributed Goods and Services – Contributed property and equipment are recorded at fair value at the time of donation. For the years ended December 31, 2016 and 2015, the Corporation recognized $-0- and $3,196, respectively, in revenues and expenses from the donation of the property.

Cash and Cash Equivalents – For the purposes of reporting cash flows, cash and cash equivalents include cash and certificates of deposit with original maturities of three months or less when purchased.

Accounts Receivable – Accounts receivable are stated at cost less an allowance for doubtful accounts, if necessary. Management's determination of the allowance for doubtful accounts is based on an evaluation of the receivable, past experience, and current economic conditions. Management has determined an allowance for doubtful accounts is not considered necessary as of December 31, 2016 and 2015.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are valued in the accompanying statements of financial position at their fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. Changes in the fair value of securities are reflected in net investment income (loss) in the accompanying statements of activities.

Property and Equipment – Property and equipment are stated at cost for purchased items and estimated fair value at the date received for donated items. The Corporation capitalizes all expenditures for property and equipment in excess of $2,000. Depreciation is computed using the straight-line method based on the following estimated useful lives:

Land improvements	10-15 years
Building and improvements	20 years
Furniture and equipment	3-15 years
Vehicles	5 years

Investments Limited as to Use – Assets limited as to use include designated assets set aside by the Board of Directors for endowment, over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Intangible Assets – The Corporation's intangible asset consists of one indefinite-lived Federal Communications Commission ("FCC") broadcast license to operate obtained in 2012 through the purchase of a radio station. This intangible asset is tested annually for impairment. At December 31, 2016, the Corporation determined that the carrying value of the intangible asset exceeded the fair value based on changes in market conditions resulting in an impairment loss of $225,000 which is included in program expenses on the statement of activities. There were no impairments in 2015. This intangible asset is valued at $1,200,000 and $1,425,000 as of December 31, 2016 and 2015, respectfully.

Contribution Payable – The Corporation makes quarterly contributions to another organization based on a percentage of donations the Corporation receives during their annual fundraiser. These contributions are recorded in the financial statements once donations from the fundraiser are received.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Functional Allocation of Expenses – Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

Concentration of Credit Risk – The Corporation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation ("FDIC") covers $250,000 for substantially all depository accounts. The Corporation from time to time may have amounts on deposit in excess of the insured limits.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Corporation has been recognized by the Internal Revenue Service as an exempt organization as described in Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from federal income taxes pursuant to Section 501(a) of the IRC. Management believes that the Corporation continues to satisfy the requirements of a tax-exempt organization and is not subject to tax. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

Note 2—Investments

Investments are as follows as of December 31:

	2016	2015
Bank deposit program	$ 1,808,272	$ 743,222
Corporate bonds	3,922,382	4,364,173
Equity securities	496,343	452,112
	6,226,997	5,559,507
Less investments, Board-designated endowment	1,297,968	1,169,491
	$ 4,929,029	$ 4,390,016

Note 2—Investments (continued)

The Corporation's investments are exposed to various risks such as interest rates, market, liquidity, and credit risks. Due to the current and potential future volatility in the financial markets, it is possible that changes in the investment values and liquidity could occur in the near term and could materially affect the reported investment values in the accompanying statements of financial position.

Net investment income (loss) for the year consisted of the following:

	2016	2015
Interest and dividend income	$ 266,478	$ 279,897
Net realized/unrealized gains (losses)	417,012	(392,200)
Investment fees	(16,000)	(14,000)
Net investment income (loss)	$ 667,490	$ (126,303)

Note 3—Property and equipment, net

A summary of property and equipment at December 31 is as follows:

	2016	2015
Land and land improvements	$ 70,746	$ 70,746
Building and improvements	1,587,110	1,486,245
Equipment	2,762,730	2,532,444
Furniture and fixtures	285,358	285,358
Vehicles	200,610	200,610
	4,906,554	4,575,403
Less accumulated depreciation	(3,612,731)	(3,379,636)
Property and equipment, net	$ 1,293,823	$ 1,195,767

Depreciation expense for the years ended December 31, 2016 and 2015, was $233,941 and $233,042, respectively.

Note 4—Fair value measurements of assets and liabilities

In accordance with guidance on fair value measurements for financial instruments measured at fair value, fair value is defined as the price that the Corporation would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The fair value guidance establishes a three-tier hierarchy to distinguish between 1) inputs that reflect the assumptions that market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs), and 2) inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the fair value of the Corporation's financial instruments.

The inputs are summarized in the three broad levels listed below:

Level 1 – Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2 – Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value. The Corporation did not hold any Level 3 investments for the years ended December 31, 2016 or 2015.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Bank Deposit Program – Available cash in the Corporation's investment account is deposited into a sweep interest-bearing deposit account with FDIC insurance coverage. These deposits, which have an original maturity of three months or less, are valued at their face amount because of the short length of time to maturity and are considered a Level 1 investment.

Corporate Bonds – The investment grade corporate bonds held by the Corporation generally do not trade in active markets on the measurement date. Therefore, corporate bonds are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

Equity Securities – Valued at the closing price reported on the active market on which the individual securities are traded.

Note 4—Fair value measurements of assets and liabilities (continued)

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position that are measured at fair value on a recurring basis and the level within the FASB ASC fair value hierarchy in which the fair value measurements fall at December 31, 2016 and 2015:

	2016			2015		
	Level 1	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Bank deposit program	$ 1,808,272	$ -	$ 1,808,272	$ 743,222	$ -	$ 743,222
Corporate bonds	-	3,922,382	3,922,382	-	4,364,173	4,364,173
Equity securities	496,343	-	496,343	452,112	-	452,112
Total	$ 2,304,615	$ 3,922,382	$ 6,226,997	$ 1,195,334	$ 4,364,173	$ 5,559,507

Note 5—Board-designated endowment

In 2005, the Board of Trustees designated $1,000,000 of unrestricted net assets as a general endowment fund to support future ministry opportunities. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The primary investment objective of the endowment fund is to preserve and protect the assets by focusing on conservation of principal and adequate liquidity to meet ministry needs. This objective is generally attained by investing in a portfolio of high quality securities. Expenditures from the endowment fund are determined by the Board in order to meet ministry needs. Funds were not withdrawn in 2016 or 2015 in order to preserve principal.

To achieve the objective, the Corporation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Composition of and changes in endowment net assets for the year ended December 31 were as follows:

Board-designated endowment net assets, December 31, 2014	$ 1,239,384
Investment loss	(69,893)
Board-designated endowment net assets, December 31, 2015	1,169,491
Investment income	128,477
Board-designated endowment net assets, December 31, 2016	$ 1,297,968

Note 6—Rental income

The Corporation leases tower space under various operating leases. Leases are renewable on an annual basis. Rent income related to the leases for the years ended December 31, 2016 and 2015, was $165,110 and $158,229, respectively.

Note 7—Joint Costs

During the years ended December 31, 2016 and 2015, the Corporation incurred joint costs for certain major operating costs such as salaries, benefits, insurance, utilities, supplies, and repairs and maintenance which included a fundraising component. These operating costs are allocated on the statements of activities as follows:

	2016	2015
Program expenses	$ 1,764,800	$ 1,715,253
Fundraising	322,512	301,064
General and administrative	257,502	244,064
Total allocated expenses	$ 2,344,814	$ 2,260,381

Note 8—Employee benefit plan

The Corporation sponsors a defined contribution plan, which is maintained by BGEA. The benefits are provided based on salary and hours worked for each year of service. Contributions are made annually by the Corporation. The plan includes a provision whereby the BGEA Board of Directors can approve additional contributions of up to 2%. The additional 2% discretionary contribution was approved for both 2016 and 2015. The total contributions for the years ended December 31, 2016 and 2015, were $117,196 and $106,441, respectively.

Note 9—Leases

The Corporation entered into an operating lease agreement in 2012 for tower space that expired in October 2016. In October 2016, the Corporation started leasing the tower space on a month-to-month basis. Rent expense under this lease totaled $20,160 in 2016 and 2015. The Corporation has also entered into other various leases that require annual payments ranging from $50 to $4,700, with various expiration dates beginning in 2016 and ending in 2020. Rent expense under these leases totaled $9,031 and $8,355 in 2016 and 2015, respectively.

Note 9—Leases (continued)

Total future minimum lease payments with terms of one year or more are as follows:

Year Ending December 31,		Amount
2017	$	26,221
2018		25,651
2019		25,264
2020		22,518
2021		20,160
	$	119,814

Note 10—Related party transactions

BGEA maintains the payroll functions and is reimbursed by the Corporation for the related payroll and benefit expenses. Total related payroll and benefit expense for the years ended December 31, 2016 and 2015, was $2,228,287 and $2,148,295, respectively.

To gain efficiencies over certain administrative services, the Corporation and BGEA entered into shared service agreements to provide a meaningful structure for regulating and overseeing the shared services and expenses. In accordance with the shared service agreements, the Corporation reimbursed BGEA approximately $182,000 and $183,000 in 2016 and 2015, respectively.

Total amounts due to BGEA at December 31, 2016 and 2015, were $216,612 and $195,127, respectively.

Note 11—Subsequent events

The Corporation evaluated the effect subsequent events would have on the financial statements through March 24, 2017, which is the date the financial statements were available to be issued.