

**Cornerstone Television, Inc.
and Subsidiary**

Consolidated Financial Statements

Years Ended December 31, 2017 and 2016 with
Independent Auditor's Report

MaherDuessel

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CORNERSTONE TELEVISION, INC. AND SUBSIDIARY

YEARS ENDED DECEMBER 31, 2017 AND 2016

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Independent Auditor's Report

Board of Directors Cornerstone Television, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of Cornerstone Television, Inc., a Pennsylvania non-profit corporation, and its wholly-owned subsidiary, CTVN Harrisburg, LLC, (collectively, Cornerstone), which comprise the consolidated statements of financial position as of December 31, 2017 and 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 Consolidated Financial Statements

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.

Auditor's 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 audits 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 consolidated financial position of Cornerstone as of December 31, 2017 and 2016, and the changes in its net assets and its consolidated cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Mahe Duessel

Pittsburgh, Pennsylvania
July 30, 2018

**CORNERSTONE TELEVISION, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,239,487	\$ 301,968
Investments	5,004,298	12,518
Accounts receivable, net of allowance for doubtful accounts of \$15,542 and \$15,542, respectively	327,897	537,610
Inventory	118,559	101,626
Prepaid expenses and other current assets	5,533	1,768
Total current assets	8,695,774	955,490
Non-current assets:		
Tower and broadcasting equipment	7,886,198	8,417,002
Site development and land improvements	640,176	640,176
Buildings and improvements	2,670,646	2,671,721
Office furniture and equipment	548,748	548,748
Vehicles	79,468	99,692
	11,825,236	12,377,339
Less accumulated depreciation and amortization	(7,881,022)	(7,935,700)
	3,944,214	4,441,639
Land	66,785	66,785
Total non-current assets	4,010,999	4,508,424
Total Assets	\$ 12,706,773	\$ 5,463,914

(Continued)

See accompanying notes to consolidated financial statements.

**CORNERSTONE TELEVISION, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016
(Continued)

	2017	2016
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 300,369	\$ 558,352
Line of credit	-	200,000
Current portion of long-term debt	-	74,669
Deferred revenue	39,510	51,332
Total current liabilities	339,879	884,353
Long-term liabilities:		
Annuities payable	12,853	13,164
Long-term debt, net of current portion	-	653,007
Total long-term liabilities	12,853	666,171
Total Liabilities	352,732	1,550,524
Net Assets:		
Unrestricted	12,295,066	3,855,230
Temporarily restricted	58,975	58,160
Total Net Assets	12,354,041	3,913,390
Total Liabilities and Net Assets	\$ 12,706,773	\$ 5,463,914

(Concluded)

See accompanying notes to consolidated financial statements.

**CORNERSTONE TELEVISION, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:			
Contributions and bequests	\$ 2,392,512	\$ 40,414	\$ 2,432,926
Broadcasting and production	1,680,833	-	1,680,833
Other revenues	38,672	-	38,672
Total revenues and other support	4,112,017	40,414	4,152,431
Net assets released from restrictions (operating)	39,599	(39,599)	-
	4,151,616	815	4,152,431
Expenses and Losses:			
Program services:			
Broadcasting, including programming, production, and prayer ministry	3,588,675	-	3,588,675
Support services:			
Management and general costs	1,307,501	-	1,307,501
Fundraising	911,385	-	911,385
Total support services	2,218,886	-	2,218,886
Contributions to charitable organizations	189,300	-	189,300
Total expenses	5,996,861	-	5,996,861
Gain (Loss) from Operations	(1,845,245)	815	(1,844,430)
Non-Operating Activities:			
Gain (loss) on FCC auction	10,361,255	-	10,361,255
Gain (loss) on disposal of obsolete assets	(76,174)	-	(76,174)
Total non-operating income (loss)	10,285,081	-	10,285,081
Change in Net Assets	8,439,836	815	8,440,651
Net Assets:			
Beginning of year	3,855,230	58,160	3,913,390
End of year	\$ 12,295,066	\$ 58,975	\$ 12,354,041

See accompanying notes to consolidated financial statements.

**CORNERSTONE TELEVISION, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:			
Contributions and bequests	\$ 3,218,133	\$ 50,177	\$ 3,268,310
Broadcasting and production	1,848,296	-	1,848,296
Other revenues	23,010	-	23,010
Total revenues and other support	5,089,439	50,177	5,139,616
Net assets released from restrictions (operating)	54,484	(54,484)	-
	5,143,923	(4,307)	5,139,616
Expenses:			
Program services:			
Broadcasting, including programming, production, and prayer ministry	3,058,565	-	3,058,565
Support services:			
Management and general costs	1,249,956	-	1,249,956
Fundraising	1,099,382	-	1,099,382
Total support services	2,349,338	-	2,349,338
Contributions to charitable organizations	307,003	-	307,003
Total expenses	5,714,906	-	5,714,906
Gain (Loss) from Operations	(570,983)	(4,307)	(575,290)
Non-Operating Activities:			
Gain (loss) on FCC auction	-	-	-
Gain (loss) on disposal of obsolete assets	(626,573)	-	(626,573)
Total non-operating income (loss)	(626,573)	-	(626,573)
Change in Net Assets	(1,197,556)	(4,307)	(1,201,863)
Net Assets:			
Beginning of year	5,052,786	62,467	5,115,253
End of year	\$ 3,855,230	\$ 58,160	\$ 3,913,390

See accompanying notes to consolidated financial statements.

**CORNERSTONE TELEVISION, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	\$ 8,440,651	\$ (1,201,863)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	508,592	427,179
Unrealized (gain) loss on investments	(3,915)	-
Net (gain) loss on disposition of assets	76,174	626,573
Change in:		
Accounts receivable	209,713	(221,827)
Inventory	(16,933)	(10,691)
Prepaid expenses and other current assets	(3,765)	5,476
Accounts payable	(257,983)	150,692
Deferred revenue	(11,822)	(6,181)
Annuity payable	(311)	(103)
Total adjustments	499,750	971,118
Net cash provided by (used in) operating activities	8,940,401	(230,745)
Cash Flows From Investing Activities:		
Acquisition of fixed assets	(90,486)	(41,548)
Proceeds from sale of fixed assets	3,145	-
Sales of investments	12,494	-
Purchase of investments	(5,000,359)	(1,021)
Net cash provided by (used in) investing activities	(5,075,206)	(42,569)
Cash Flows From Financing Activities:		
Repayments under line of credit agreement	(400,000)	-
Proceeds from line of credit agreement	200,000	-
Principal payments on long-term debt	(727,676)	(77,649)
Net cash provided by (used in) financing activities	(927,676)	(77,649)
Net Increase (Decrease) in Cash and Cash Equivalents	2,937,519	(350,963)
Cash and Cash Equivalents:		
Beginning of year	301,968	652,931
End of year	\$ 3,239,487	\$ 301,968
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	\$ 25,647	\$ 43,763

See accompanying notes to consolidated financial statements.

CORNERSTONE TELEVISION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

1. Organization

Cornerstone Television Inc. and its wholly-owned subsidiary, CTVN Harrisburg, LLC, (collectively, Cornerstone) is a Pennsylvania not-for-profit corporation, which was organized on January 6, 1971. Cornerstone's operations consist primarily of providing and broadcasting religious and education television programming. Cornerstone also owns other broadcasting stations, which provide the same services.

During 2003, Cornerstone formed a single member LLC, CTVN Harrisburg, LLC, to facilitate the purchase of a Federal Communications Commission (FCC) license. As part of this transaction, Cornerstone entered into an agreement to lease tower space from an unrelated party (see Note 9). The consolidated financial statements include the accounts of Cornerstone Television, Inc. and its wholly-owned subsidiary, CTVN Harrisburg, LLC. All material intercompany transactions have been eliminated.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and accordingly, reflects all significant receivables, payables, and other liabilities. In accordance with Financial Accounting Standards Board (FASB) authoritative guidance, Cornerstone resources are classified for accounting and reporting purposes into classes of net assets established according to their nature and purpose. There are three types of net assets:

Unrestricted Net Assets

Used to accumulate all unrestricted and board-designated resources from operations. It represents the portion of the net assets of Cornerstone that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets whose use is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of Cornerstone pursuant to those

CORNERSTONE TELEVISION, INC. AND SUBSIDIARY

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YEARS ENDED DECEMBER 31, 2017 AND 2016

stipulations. Donor-restricted contributions are recorded as temporarily restricted contributions in the consolidated statements of activities when received.

Permanently Restricted Net Assets

Represents net assets with a donor-imposed restriction that stipulates that resources be maintained permanently but permits Cornerstone to use up or expend part or all of the income derived from the donated assets. Cornerstone has no permanently restricted net assets.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Contributions

Contributions (unconditional promises to give) are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Cornerstone had no conditional promises to give at December 31, 2017 and 2016.

Broadcasting and Production Revenue

Broadcasting and production revenues are considered exchange transactions and are recognized as revenue when invoiced for services as provided.

Functional Allocation of Expenses

The costs of operations of Cornerstone have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the program and support services based upon management's judgment of efforts expended.

CORNERSTONE TELEVISION, INC. AND SUBSIDIARY

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Deferred Revenue

Deferred revenue represents the prepayment on tower lease agreements by a company for the rental of tower space and on advertising agreements by various organizations. The income from the tower prepayment will be recognized over the assigned period, which is fifteen years. The income from the advertising prepayments will be recognized when the related advertisements are aired.

Use of Estimates in the Preparation of Financial Statements

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

Cash and Cash Equivalents

Cash and cash equivalents are deposited at local banks. At December 31, 2017 and 2016, the carrying amounts of Cornerstone's deposits were \$3,239,487 and \$301,968, respectively, and the bank balances were \$3,274,277 and \$350,696, respectively. For 2017, the uninsured cash balance totaled \$3,008,487. For 2016, the uninsured cash balance totaled \$95,035. For purposes of the consolidated statements of cash flows, cash and cash equivalents include all highly liquid instruments with maturities of three months or less when purchased.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the amounts originally billed, less payments received, and are non-interest bearing, as they are due within one year. Accounts are classified as current or past due based on the terms of the contract or agreement under which the receivable arose. The allowance for doubtful accounts is based upon historical collections and the amount of past due receivables for accounts whose collectivity is in doubt. Past-due balances are written off once management determines collection is not possible.

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Inventory

Inventory is stated at the lower of cost (determined by the first in, first out method of accounting) or market.

Financial Instruments

The following methods and assumptions were used by Cornerstone in estimating fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the consolidated statements of financial position approximate fair values because of the short maturities of those instruments;

Investments: Quoted prices in active markets for identical assets (Level 1);

Bank note payable: Fair value approximated carrying value since stated rates are consistent with the market prices for the same or similar or are similar to rates currently available to Cornerstone for debt with similar terms and remaining maturities.

Fixed Assets

Fixed assets are stated at cost if purchased. Donations of Fixed assets are recorded as contributions at their estimated fair value. Fixed asset purchases and major improvements and betterments to equipment, other than tower related purchases, that are valued at a cost of \$2,000 or more with a useful life greater than one year are capitalized. Tower and related purchases valued at a cost of \$5,000 or more with a useful life greater than one year are capitalized. Expenditures for renewals and improvements that significantly extend the useful life of the asset are capitalized. Expenditures for maintenance or repairs are expensed currently.

Depreciation is computed using the straight-line method based on the estimated useful lives of the various assets.

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Income Taxes

Cornerstone is a non-profit organization and is exempt from paying income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation. CTVN Harrisburg, LLC is considered a disregarded entity for tax purposes. As such, its activity is included with Cornerstone's activity. Cornerstone files a Form 990 and a Form 990T for its unrelated business income annually.

Contributions to Charitable Organizations

Contributions to charitable organizations are determined by the Board of Directors (Board). These are reported in the consolidated financial statements as a reduction in unrestricted net assets.

During 2017 and 2016, a contribution of \$12,000 was made to a charitable organization with which a Board member is affiliated. The Board was informed of the affiliation and did not consider the contribution to be a conflict of interest.

Operating Activities

For purposes of the statements of activities, Cornerstone distinguishes between operating revenue, support and expenses, and non-operating revenue, support, gains, and losses. Cornerstone treats as operating revenue and support and operating expenses all revenues and expenses that are an integral part of its program and supporting activities. All other activity is nonoperating.

CORNERSTONE TELEVISION, INC. AND SUBSIDIARY

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Pending Accounting Standards Update

FASB has issued amendments to the FASB Accounting Standards Codification that will become effective in future years as shown below. Management has not yet determined the impact of these amendments on Cornerstone's financial statements:

ASU No. 2016-14, *"Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,"* effective for Cornerstone's financial statements for the year ending December 31, 2018. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The amendment changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets and provides enhanced disclosures for: governing body restrictions, composition of net assets with donor restrictions, qualitative and quantitative information on liquidity, methods to allocate costs among program and support functions, and underwater donor-restricted endowment.

ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606),"* effective for Cornerstone's financial statements for the year ending December 31, 2019. This amendment provides a single, comprehensive revenue recognition model for all contracts with customers, and contains principles to determine the measurement of revenue and timing of when it is recognized.

ASU No. 2016-02, *"Leases (Topic 842),"* effective for Cornerstone's financial statements for the year ending December 31, 2020. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the consolidated financial statements were available to be issued.

CORNERSTONE TELEVISION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

3. Investments

Cornerstone’s investments are managed by registered investment advisors and consist of various investments in marketable securities. These investments are reported at fair value. As of December 31, 2017 and 2016 investments consist of the following:

	2017	2016
Cash and cash equivalents	\$ 950,359	\$ -
U.S. fixed income	3,035,703	-
International fixed income	144,821	-
U.S. equities - mutual funds	802,888	-
International equities - mutual funds	70,503	-
Other investments	24	12,518
	\$ 5,004,298	\$ 12,518

Investment income (loss) for the year ended December 31, 2017 and 2016 is summarized as follows:

	2017	2016
Interest and dividend income	\$ 359	\$ -
Net realized and unrealized gain (loss)	3,915	-
	\$ 4,274	\$ -

In accordance with accounting principles generally accepted in the United States of America, all investments of Cornerstone are measured using Level 1, Level 2, and Level 3 fair value inputs. Level 1 fair value is defined as inputs based upon “measuring the value at quoted prices available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.” Level 2 is defined as inputs based upon “measuring pricing units other than at quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters

CORNERSTONE TELEVISION, INC. AND SUBSIDIARY

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of which can be directly observed.” Level 3 is defined as inputs based upon “significant unobservable inputs, as they trade infrequently or not at all.”

The fair values of investments held by Cornerstone are determined using quoted prices in active markets for identical assets and, as such, are classified at December 31, 2017 and 2016 as Level 1 assets within the fair value hierarchy.

4. Fixed Assets

Following is a summary of fixed assets and related balances at December 31, 2017:

	2016	Additions	Deletions	2017
Land	\$ 66,785	\$ -	\$ -	\$ 66,785
Tower and broadcasting equipment	8,417,002	61,589	(592,393)	7,886,198
Site development and land improvements	640,176	-	-	640,176
Building and improvements	2,671,721	-	(1,075)	2,670,646
Office furniture and equipment	548,748	-	-	548,748
Vehicles	99,692	28,897	(49,121)	79,468
Accumulated depreciation and amortization	(7,935,700)	(508,592)	563,270	(7,881,022)
	<u>\$ 4,508,424</u>	<u>\$ (418,106)</u>	<u>\$ (79,319)</u>	<u>\$ 4,010,999</u>

Cornerstone disposed of assets no longer in use during 2017, resulting in a non-operating loss of \$76,174 as reported in the consolidated statement of activities.

CORNERSTONE TELEVISION, INC. AND SUBSIDIARY

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Following is a summary of fixed assets and related balances at December 31, 2016:

	2015	Additions	Deletions	2016
Land	\$ 66,785	\$ -	\$ -	\$ 66,785
Tower and broadcasting equipment	12,961,893	15,144	(4,560,035)	8,417,002
Site development and land improvements	640,176	-	-	640,176
Building and improvements	2,773,047	13,096	(114,422)	2,671,721
Office furniture and equipment	1,243,818	13,308	(708,378)	548,748
Vehicles	99,692	-	-	99,692
Accumulated depreciation and amortization	(12,264,783)	(427,179)	4,756,262	(7,935,700)
	\$ 5,520,628	\$ (385,631)	\$ (626,573)	\$ 4,508,424

Due to the FCC-required television industry conversion from analog technology to digital technology, analog broadcast and production equipment has become obsolete. Accordingly, the previously estimated salvage values for such equipment was reduced to zero resulting in a loss of \$626,573 when the analog equipment was written off in 2016.

5. Long-Term Debt

Long-term debt consists of the following at December 31, 2017 and 2016:

	2017	2016
Note payable to a bank with interest at 4.60% due in monthly installments of \$8,878.72 through April 2025, collateralized by substantially all of the assets of Cornerstone.	\$ -	\$ 727,676
Less current portion	-	(74,669)
	\$ -	\$ 653,007

Cornerstone paid off their long-term debt with the proceeds of a FCC Spectrum Auction as discussed in Note 12.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6. Line of Credit

During 2012, Cornerstone obtained a secured line of credit allowing borrowings to a maximum of \$200,000. Cornerstone paid off their line of credit balance with the proceeds of a FCC Spectrum Auction as discussed in Note 12. The line of credit was then closed. During the years ended December 31, 2017 and 2016, there were principal borrowings of \$200,000 and \$0, respectively. Cornerstone had an outstanding balance of \$200,000 on the line of credit at December 31, 2016.

Subsequent to year-end, Cornerstone obtained a secured line of credit allowing borrowings to a maximum of \$1 million.

7. Annuities Payable

Annuities payable represents the liability for periodic payments due to individuals from annuity gifts received from them. The amount of the liability is calculated by an independent agent who is managing the annuities but is believed to be fairly stated by management.

8. Retirement Savings Plan

Cornerstone has a Retirement Savings Plan (Plan) for all eligible employees as defined by the Plan. The employees may contribute up to the maximum amount of their salary allowed under the law. Cornerstone each year may make a discretionary matching contribution equal to a percentage of the amount of the employee salary reduction up to 5% of the employee's compensation. The applicable percentage is determined each year by Cornerstone. The applicable percentage was 30% of the employee's contributed amount for both 2017 and 2016. For the years ended December 31, 2017 and 2016, the discretionary contribution charged to operations was approximately \$23,000 and \$22,000, respectively.

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9. Lease and Other Commitments

Cornerstone's subsidiary CTVN Harrisburg, LLC has entered into an agreement to lease tower space. The initial term of the lease, which began November 2003, was for five years with two additional five-year renewal options and a ten-year renewal option after the first two renewal options have been exercised. With the expiration of the initial term occurring during 2009, the first five-year renewal option was exercised beginning November 2008 and the second five-year renewal option was exercised beginning May 2013. The monthly rental for the years ended December 31, 2017 and 2016 was \$1,000 per month.

Cornerstone also leases a postage machine for use in preparation of letters and mailings. This operating lease will expire in September 2023.

Cornerstone entered into an agreement for satellite uplink services in May 2015. This contract runs through June 2018. The monthly payment for the year ended December 31, 2017 was \$5,000 per month beginning in September 2015, which increased to \$6,250 beginning in March 2017.

Minimum future rental payments under terms of operating leases and commitments for the next two years and in the aggregate are:

2018	\$	68,060
2019		18,748
2020		5,783
2021		5,783
2022		5,783
Thereafter		4,337
	\$	<u>108,494</u>

Rent expense under terms of the operating leases for the years ended December 31, 2017 and 2016 was \$107,478 and \$79,983, respectively.

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10. Board-Designated Resources

Certain unrestricted net assets are subject to Board designation for the purchase of capital equipment and missionary trips. Board-designated resources at December 31, 2017 and 2016 were \$19,348 and \$1,733, respectively.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions received by Cornerstone with donor-imposed restrictions for which the purpose has not yet been met. During fiscal years 2017 and 2016, temporarily restricted net assets totaling \$39,599 and \$54,484, respectively, were released from restrictions through the fulfillment of operating purpose restrictions. At December 31, 2017 and 2016, temporarily restricted net assets of \$58,975 and \$58,160, respectively, were restricted for other ministries.

12. Gain on FCC Auction

Cornerstone participated in the FCC Spectrum Auction during 2017 and, in consideration for moving its Altoona/Johnstown station WKBS from the UHF broadcast band to the VHF broadcast band, received approximately \$10.4 million. Cornerstone has two years to modify the tower to accept antennas for the new channels in order to be eligible for additional reimbursement by the FCC for costs associated with the change.