



MATSON
& ISOM

EDUCATIONAL MEDIA FOUNDATION

Rocklin, California

CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

December 31, 2011

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December 31, 2011

Educational Media Foundation

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MATSON
& ISOM

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Educational Media Foundation
Rocklin, California

We have audited the accompanying consolidated statement of financial position of Educational Media Foundation (EMF) and subsidiaries as of December 31, 2011, and the related consolidated statements of activities, natural expenses, and cash flows for the year then ended. These financial statements are the responsibility of EMF's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Educational Media Foundation and subsidiaries as of December 31, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Matson and Isom

April 12, 2012
Chico, California

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

Educational Media Foundation

December 31, 2011

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 16,339,771
Unrestricted, unconditional promises to give - net of allowance of \$2,302,164	21,602,316
Prepaid expenses	1,183,655
Notes receivable	672,993
Inventories	2,125,387
Other receivables	372,571

Total Current Assets 42,296,693

PROPERTY AND EQUIPMENT

Net of accumulated depreciation 35,560,703

OTHER ASSETS

Deposit with trustee	571,516
Deposits and other	1,844,130
Notes receivable - net of current portion	210,863
Long-term investments	8,022,504
Bond issuance costs - net	1,089,102
FCC licenses, permits, and application costs	245,530,294
Trademarks	615,082

Total Other Assets 257,883,491

Total Assets \$ 335,740,887

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 4,402,368
Current portion of bonds and notes payable	15,741,665

Total Current Liabilities 20,144,033

LONG-TERM DEBT

Net of current portion 109,122,498

Total Liabilities 129,266,531

NET ASSETS

Unrestricted net assets:	
Board designated	7,974,894
Undesignated	197,648,578
Temporarily restricted net assets	850,884

Total Net Assets 206,474,356

Total Liabilities and Net Assets \$ 335,740,887

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

**CONSOLIDATED STATEMENT OF
ACTIVITIES***Educational Media Foundation*

Year Ended December 31, 2011

UNRESTRICTED NET ASSETS

REVENUE AND SUPPORT

Contributions	\$ 108,601,699
Business underwriting grants	3,494,732
Interest income	164,998
Net gain (loss) on disposal of assets	(844,420)
Miscellaneous income	968,291
Net assets released from restrictions	172,287

Total Revenue and Support112,557,587

EXPENSES

Program services	67,879,512
Supporting services:	
General administration	7,014,371
Fundraising	3,116,977

Total Expenses78,010,860**Increase in Unrestricted Net Assets**34,546,727**TEMPORARILY RESTRICTED NET ASSETS**

REVENUE AND SUPPORT

Contributions	278,171
Net assets released from restrictions	(172,287)

Increase in Temporarily Restricted Net Assets105,884**Increase in Net Assets**

34,652,611

Net Assets - Beginning of Year171,821,745**Net Assets - End of Year**\$ 206,474,356*The accompanying notes are an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF
NATURAL EXPENSES**

Educational Media Foundation

Year Ended December 31, 2011

Payroll and related	\$ 29,406,556
Occupancy	996,462
Listener servicing	1,967,377
Office	2,818,444
Programming	341,129
Website	1,230,309
Promotion and donor development	667,052
Travel and entertainment	1,851,141
Engineering	1,715,612
Interest	7,220,607
Administrative	2,016,085
Computers and software	1,127,960
Professional consulting	943,396
Gifts to other ministries	409,032
Depreciation and amortization	7,444,537
Station operations	17,855,161
Total Expenses	\$ 78,010,860

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

**CONSOLIDATED STATEMENT OF CASH
FLOWS***Educational Media Foundation*

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Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 34,652,611
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	7,344,596
Amortization	99,941
Expiration of purchase options and write-off of FCC application costs	673,557
Noncash contributions	(25,337)
Net gain (loss) on disposal of assets	844,420
Net change in operating assets and liabilities:	
Increase in unrestricted, unconditional promises to give	(3,420,981)
Increase in inventories	(1,534,692)
Increase in prepaid expenses	(103,219)
Increase in other receivables	(12,710)
Decrease in deposits and other	6,388
Increase in accounts payable and accrued expenses	1,280,620
Net Cash Provided by Operating Activities	39,805,194

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for property and equipment	(10,198,325)
Payments for FCC licenses	(7,946,764)
Payment for deposits on future acquisition of FCC licenses	(112,500)
Payments for trademark costs	(6,261)
Proceeds from sale of assets	1,111,142
Principal payments received on notes receivable	28,072
Advances on notes receivable	(106,998)
Net (increase) decrease in long-term investments	(5,670,957)
Net Cash Used by Investing Activities	(22,902,591)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long-term debt	500,000
Payments for bond issuance costs	(10,707)
Principal payments on bonds and notes payable	(17,193,734)
Principal payments on capital lease obligations	(337,047)
Net Cash Used by Financing Activities	(17,041,488)

Decrease in Cash and Cash Equivalents (138,885)**Cash and Cash Equivalents - Beginning of Year** 16,478,657**Cash and Cash Equivalents - End of Year** \$ 16,339,772*The accompanying notes are an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF CASH
FLOWS**

Educational Media Foundation

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Year Ended December 31, 2011

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash Payments for Interest Expense \$ 7,480,442

**SUPPLEMENTAL DISCLOSURES OF NONCASH
INVESTING AND FINANCING ACTIVITIES**

Debt Incurred in the Acquisition of FCC Licenses and Equipment \$ 8,495,000

Deposits Applied in the Acquisition of FCC Licenses \$ 1,435,000

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

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

Educational Media Foundation

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Educational Media Foundation (EMF) is a network of contemporary Christian FM and AM radio stations, translators, and affiliates located throughout various communities in the United States, operating as K-LOVE Radio Network and Air 1 Radio Network. EMF is a member of the Evangelical Council for Financial Accountability.

Principles of Consolidation The consolidated financial statements include the accounts of EMF and its wholly owned subsidiaries: El Dorado Licenses, Inc., Brockport Licenses, LLC, San Joaquin Broadcasting Company, EMF Corporation, EMF Property Holdings, LLC, K-LOVE and Air 1 Foundation Trust, Lot 3 Sacramento Group, LLC, and Sierra Woods Lodge, LLC. EMF is the sole stockholder of the corporations and the sole member of the LLC's, other than Lot 3 Sacramento Group, LLC in which EMF has a 12.4% membership interest. EMF Corporation is the sole trustee of the K-LOVE & Air 1 Foundation Trust. The subsidiaries have been organized and are operated primarily to support and carry out the purposes of EMF. All material interorganizational transactions and balances have been eliminated in consolidation.

Fair Value of Financial Instruments The carrying value of cash and cash equivalents, promises to give, notes receivable, deposit with trustee, and other short-term assets and liabilities, approximate fair value as of December 31, 2011, due to the relatively short maturity of these instruments. The carrying amount of long-term debt reported in the statement of financial position approximates fair value because EMF can obtain similar loans at the same terms.

Inventories Inventories, which consist primarily of broadcasting equipment parts, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

Investments Investments in money market funds, mutual funds, equity securities, and debt and fixed income securities with readily determinable fair values are presented in the financial statements at their fair values. Investments in real estate are presented at their appraised values. Unrealized gains and losses are included in the increase in net assets in the accompanying statement of activities.

Donor Advised Funds These assets represent amounts available for distribution in donor advised funds. The funds are established only for charitable, religious, or educational purposes and are used for the support of charitable organizations whose purposes are not inconsistent with those of EMF. Assets include the initial gift made in creating the fund and all income earned on the gift. EMF recognizes income when assets are contributed. The funds are the property of EMF and may be commingled with other funds held by it. EMF has ultimate authority and control over all property in the funds. For donor advised funds, donors typically recommend which other organizations should receive grants from their donor advised fund. EMF usually follows such recommendations, though it is not required to do so. All grants made to other organizations from donor advised funds are recorded as gifts to other ministries under program expenses. At December 31, 2011, EMF has \$500,000 in donor advised funds which have been included in temporarily restricted net assets.

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

Educational Media Foundation

December 31, 2011

Notes Receivable Notes receivable are recorded at the amortized amount due. In determining collectibility, management takes into consideration such factors as debtor history, payment history, and existing economic conditions. Once a receivable is deemed uncollectible based on these factors, it is written off. Management has determined that no allowance for potentially uncollectible notes receivable was necessary at December 31, 2011.

Property and Equipment Property and equipment purchased by EMF is recorded at cost. EMF capitalizes equipment with an acquisition cost in excess of \$1,500 and a useful life of three years or more. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 15 years for equipment and 39 years for buildings and leasehold improvements.

Intangible Assets EMF classifies intangible assets as definite-lived or indefinite-lived. Definite-lived assets include primarily bond issuance costs. Bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method, since the results are not significantly different from the effective interest method. Accumulated amortization of bond issuance costs was \$561,425 at December 31, 2011. Amortization expense was \$99,941 for the year ended December 31, 2011, and is estimated to be approximately the same amount over the next five years.

EMF tests for possible impairment of definite-lived assets whenever events and circumstances indicate that amortizable long-lived assets might be impaired. When specific assets are determined to be unrecoverable, the cost basis is reduced to reflect the current fair market value.

EMF's indefinite-lived intangible assets include primarily Federal Communication Commission ("FCC") radio licenses, related construction permits and application costs, and trademarks. FCC radio licenses, construction permits, and application costs are recorded at cost. Construction permits and application costs represent legal and other related costs incurred to date to apply for FCC licenses and in preparation of going on the air.

Trademarks represent legal and other costs incurred in obtaining trademarks for the K-LOVE and Air 1 radio networks.

EMF adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350, *Intangibles – Goodwill and Other*, which provides guidance for the accounting treatment of goodwill and other intangibles and provides that goodwill and other intangibles with indefinite useful lives not be amortized; rather, they should be evaluated for impairment annually. FASB ASC 350 provides that intangible assets previously deemed to have indefinite lives be amortized over their useful lives once their lives are determined to no longer be indefinite.

EMF performed its annual impairment tests on its indefinite-lived assets on December 31, 2011, which resulted in a non-cash impairment charge of approximately \$565,000. The impairment charge related to five individual stations not carrying the K-LOVE or Air 1 programming.

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

Educational Media Foundation

December 31, 2011

Income Taxes EMF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. EMF has not entered into any activities that would jeopardize its tax-exempt status. EMF does enter into unrelated trade or business activities that result in unrelated business income; however, the expenses associated with this unrelated business income exceed the income. Accordingly, no provision for income taxes is required.

EMF files exempt organization returns in the U.S. federal and California jurisdictions. The federal returns for tax years 2008 and beyond, and the California returns for tax years 2007 and beyond, remain subject to examination by the taxing authorities.

EMF accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in EMF's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740, also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return. Based on this analysis, a liability is recorded if uncertain tax benefits have been received. EMF's practice is to recognize interest and penalties, if any, related to uncertain tax positions in the tax expense. There were no uncertain tax positions identified or related interest and penalties recorded as of December 31, 2011, and EMF does not expect this to change significantly over the next 12 months.

Contributions EMF receives the majority of its support from contributions received in response to periodic pledge drives for the K-LOVE and Air 1 radio networks. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, EMF reports the support as unrestricted. Unconditional promises to give are recorded as unrestricted support when received. Certain unconditional promises to give which are due in the next year are reflected as current promises to give and are recorded at their net realizable value.

Contributed Services Many individuals volunteer their time in performing a variety of tasks that assist EMF in its fundraising efforts. However, no amounts have been reflected in the financial statements for donated services as these services do not meet the criteria for recognition as set forth under generally accepted accounting principles.

Cash and Cash Equivalents EMF considers time deposits, certificates of deposit, and all highly liquid debt instruments having an original maturity of three months or less to be cash equivalents.

Deposit with Trustee Deposit with trustee includes bond proceeds restricted for the purpose of refinancing debt incurred in the acquisition of stations, as well as the purchase of additional stations. These proceeds are held and disbursed by a third party.

Underwriting Grants Business underwriting grants represent fees paid by businesses to EMF for concert or special event announcements.

Promotion EMF promotes its stations within local service areas. Promotion costs are expensed as they are incurred.

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

Educational Media Foundation

December 31, 2011

Use 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 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.

Subsequent Events Management has evaluated subsequent events through April 12, 2012, the date on which the financial statements were available to be issued.

2. PROMISES TO GIVE

The promises to give as of December 31, 2011, are unconditional as they represent future monthly or one-time pledges which have been authorized to be charged automatically against the donor's credit card or withdrawn automatically from the donor's bank account. The promises to give are subject to estimation as of the date of the financial statements; and because of the inherent uncertainties in estimating these amounts; it is at least reasonably possible that the estimates used will change within the near term.

Actual pledge receipts associated with the December 31, 2010, estimated promises to give were greater than the estimated promises by approximately \$687,000. This had the effect of increasing contributions revenue and the change in net assets for the year ended December 31, 2011, by this amount.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Broadcast equipment	\$ 62,879,849
Furniture and fixtures	8,024,918
Automobiles	641,080
Software	2,791,227
Buildings	10,849,014
Leasehold improvements	1,073,157
Land	2,871,389
Capital projects in process	1,654,470
Total	90,785,104
Less: Accumulated depreciation	55,224,401
Property and Equipment - Net	\$ 35,560,703

Depreciation expense was \$7,344,596 for the year ended December 31, 2011.

December 31, 2011

4. FAIR VALUE AND INVESTMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the 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 under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that EMF 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; or, 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 inputs 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 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 measured at fair value. There have been no changes in the methodologies used during the year ended December 31, 2011.

Money Market Funds Amounts are interest-bearing deposit accounts, which at times may be in excess of the Federal Deposit Insurance Corporation insurance limit. EMF does not consider these amounts for use in general operations; therefore, they are not classified as cash and cash equivalents.

Mutual Funds and Equity Securities Each investor in a mutual fund will typically receive units of participation or shares in the mutual fund. These shares are valued daily, based on the underlying securities owned by the mutual fund, and are usually publicly traded equity securities. Equity securities are instruments that signify an ownership position in a corporation and represents a claim on its proportional share in the corporation's assets and profits. Ownership is determined by the number of shares an investor owns divided by the total number of shares outstanding. Equity securities are valued daily based on the closing market price in the active exchange markets.

**NOTES TO THE CONSOLIDATED
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Educational Media Foundation

December 31, 2011

Debt and Fixed Income Securities Corporate bonds, government bonds, and other debt and fixed income securities are generally valued by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value. Each bond series has a unique set of variables including coupon payment, number of payments, interest rate, and the maturity value. These factors are used to determine the estimated market value and can be determined daily.

Real Estate Amounts are carried at the fair market value of the interests as of the dates the interests were donated and are periodically adjusted upon the performance of an appraisal or a letter of intent to purchase.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although EMF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Alternative Investments When a readily determinable fair value does not exist, the assets are referred to as alternative investments. Generally, investments classified in the fair value hierarchy as Levels 2 and 3 are considered to be alternative investments. The estimated fair values may differ significantly from the value that would have been used had ready markets for the investments existed, and the difference could be material.

The following table sets forth by level, within the fair value hierarchy, EMF's investments at fair value as of December 31, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
INVESTMENTS				
Money market funds	\$ 924,520	\$ -	\$ -	\$ 924,520
Mutual funds by investment objective:				
Blend funds	182,691	-	-	182,691
International funds	267,021	-	-	267,021
Bond and fixed income funds	1,021,883	-	-	1,021,883
Equity securities by industry type:				
Technology	589,188	-	-	589,188
Healthcare	237,377	-	-	237,377
Energy	173,856	-	-	173,856
Utilities	53,269	-	-	53,269
Consumer goods	636,235	-	-	636,235
Industrial goods	206,132	-	-	206,132
Basic materials	90,180	-	-	90,180
Financial	255,561	-	-	255,561
Other	126,643	-	-	126,643
Debt and fixed income securities:				
U.S. Treasury	232,881	-	-	232,881
Corporate	80,973	-	-	80,973
Mortgage backed securities	427,094	-	-	427,094
Real estate	-	-	2,517,000	2,517,000
Total Assets at Fair Value	\$ 5,505,504	\$ -	\$ 2,517,000	\$ 8,022,504

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

Educational Media Foundation

December 31, 2011

The table below sets forth a summary of changes in the fair value of EMF's Level 3 investments for the years ended December 31, 2011 and 2010:

	Level 3
Balance - December 31, 2010	\$ 2,417,000
Real estate received in foreclosure on note receivable	579,802
Write-down to estimated fair market value	(479,802)
Balance - December 31, 2011	\$ 2,517,000

5. FCC LICENSES, PERMITS, AND APPLICATION COSTS

Capitalized FCC licenses, permits, and application costs for stations and translators consist of the following:

Operating stations and translators	\$ 243,739,869
Pending stations and translators	1,790,425
FCC Licenses, Permits, and Application Costs	\$ 245,530,294

6. LONG-TERM DEBT

Long-term debt consists of the following:

Various notes payable, secured by security interests in personal property, due in periodic payments, including interest at rates ranging up to 9.00%, maturing at various dates through December 2033.	\$ 64,289,009
Tax-exempt bonds payable, secured by commercial deeds of trust and security interests in personal property, due in aggregate monthly payments of approximately \$738,000, including interest at rates ranging from 4.67% to 5.72%, maturing at various dates through June 2023.	60,075,154
Unsecured, subordinated adjustable rate promissory notes, to be repaid on the stated maturity dates together with any accrued but unpaid interest. Interest on the unpaid principal is paid semi-annually, in arrears, on June 30 and December 31. The notes bear interest at rates equal to the lesser of 5.5% or two hundred basis points above the yield paid on U. S. Treasury notes for the original term, as determined on the last day of the semi-annual interest period. The notes mature on various dates through 2016.	500,000
Total Long-Term Debt	124,864,163
Less: Current portion	15,741,665
Long-Term Debt - Net	\$109,122,498

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

Educational Media Foundation

December 31, 2011

Maturities of long-term debt are as follows:

<u>Year Ending December 31</u>	
2012	\$ 15,741,665
2013	17,827,180
2014	19,602,980
2015	15,906,335
2016	15,024,109
Thereafter	40,761,894
Total	\$ 124,864,163

EMF entered into Master Financing Agreements in connection with the tax-exempt bonds which require, among other things, that EMF maintain certain financial covenants, including:

- Leverage ratio of not more than 5.00 to 1.00 at any time.
- Debt service coverage ratio of not less than 1.30 to 1.00 for each fiscal year.

During 2011, EMF circulated a private placement memorandum offering up to \$25,000,000 in aggregate principal amount of its unsecured, subordinated promissory notes. The notes are offered in minimum principal amounts of \$250,000 to qualified and eligible investors only.

7. OPERATING LEASES

EMF leases office space, radio tower space, land, and satellite equipment under various non-cancelable operating lease agreements. EMF has constructed radio towers on these leased land parcels.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year:

<u>Year Ending December 31</u>	
2012	\$ 3,813,550
2013	3,859,582
2014	3,899,031
2015	3,933,855
2016	3,986,589
Thereafter	66,555,495
Total	\$ 86,048,102

Rent expense was \$6,346,660 for the year ended December 31, 2011.

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

Educational Media Foundation

December 31, 2011

8. AFFILIATES AND COMMITMENTS

EMF has entered into various affiliate agreements with other radio stations to rebroadcast EMF's radio format through these stations. EMF also has certain rights and obligations related to the purchase of radio stations.

Certain of these stations operate under agreements which require an income split of the nonbusiness cash contributions generated under the stations' listening markets, or under agreements which require an income split of the nonbusiness cash contributions in excess of a base amount, in addition to a flat monthly fee. The remaining affiliate stations operate under agreements which require flat monthly fees and/or operating expense reimbursements.

The following is a schedule of future minimum payments required under affiliate agreements requiring flat monthly fees and/or operating expense reimbursements:

Year Ending December 31	
2012	\$ 4,775,307
2013	3,538,515
2014	3,289,536
2015	2,173,269
2016	1,161,000
Thereafter	802,500
Total	\$ 15,740,127

The total payments made under affiliate agreements requiring flat monthly fees and/or operating expense reimbursements were \$4,920,796 for the year ended December 31, 2011.

9. DESIGNATED NET ASSETS

The Board of Directors of EMF designates a portion of unrestricted net assets for future acquisitions and general reserves. The amount of this designation was \$7,974,894 at December 31, 2011.

10. CONCENTRATIONS AND CONTINGENCIES

Credit Risk

EMF maintains its cash accounts in depositories that are insured by the FDIC, generally to \$250,000 per institution. Beginning December 31, 2010, through December 31, 2012, all noninterest bearing cash accounts are fully insured by the FDIC. As of December 31, 2011, \$1,771,020 of EMF's cash accounts in depositories was uninsured.

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

Educational Media Foundation

December 31, 2011

11. RETIREMENT PLAN

EMF sponsors a 401(k) defined contribution retirement plan covering all employees who meet the plan's age and service requirements. Eligible employees may elect to make salary deferral contributions to the plan up to certain annual limits. EMF may elect to make discretionary matching contributions based on employee salary deferral contributions, discretionary profit sharing contributions, or a combination of both. Employer contributions to the plan were \$430,448 for the year ended December 31, 2011.

12. SUBSEQUENT EVENTS

As of April 12, 2012, EMF entered into agreements to acquire three radio stations in separate transactions with aggregate purchase prices totaling \$4,100,000. These transactions will require EMF to make aggregate down payments totaling \$3,600,000 and to issue a note payable totaling \$500,000, due over 120 months at an interest rate of 5%.