mbc 1971

annual report

to our shareholders, customers, employees, and friends

It is indeed gratifying when a president through the efforts of his organization can report—operation success for all shareholders. When Mooney Broadcasting was organized it was stated that this would be a growth organization, built solidly for the long haul of success. Our first five years of growth have been on projected schedule.

It took the first quarter of 1971 to make the turn around from the problems and changes necessitated in 1970. Our July release informed you of the loss and turn around. The last three quarters reflect the desired and anticipated results with a final ninety-one cents (91c) per share earnings.

The radio operations were superb, and continue to be dominant in our growth. 1971 was our most successful radio year of operation. January, 1972 sales of the four radio stations show an increase of 27% over January, 1971. Based on this 1972 start and advance sales figures we expect the radio properties to continue their successful growth.

On January 19, 1972, we signed an agreement with Taft Broadcasting Co. to purchase radio stations WBRC AM and WBRC FM, Birmingham, Alabama. The Federal Communications Commission must approve this transaction before we can assume the operation of these properties.

We feel that this is another successful step forward for our shareholders.

Birmingham is a growing southern market which offers excellent potential to business.

The Taft organization operated these properties on the same high standards which are evidenced by Mooney Broadcasting. The sales volume and profits earned by Taft exceed those of any previous purchase made by us.

Even though the sign operations were not profitable in 1971, changes have been made to overcome the existent problems. The recent changes made in the sign division should prove this division worthy of the successful Mooney Broadcasting banner.

The backlog of sales recorded in January, 1972 total $473,000 compared to only $169,000 the entire first quarter of 1971 and $988,000 for the entire year of 1971.

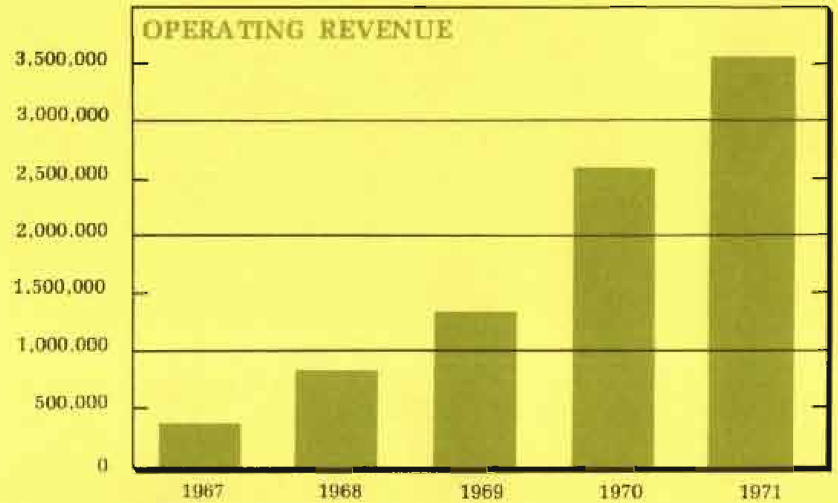
1971 showed a revenue growth of 38% over 1970. Revenues totaled $3,578,425 compared to $2,595,380 in 1970. Our report enclosed reflects a turn around in profits from a two cent loss per share in 1970 to a net profit of 91 cents per share in 1971. Our shareholders' equity increased from $1,194,966 in 1970 to a 1971 equity of $1,391,706 - an increase of $196,740.

We are continuing to look for additional revenue and profit producing properties in growth markets which will cause our organization to become even more successful.

The first five years have been successful solid building years. Our projections have been met. Our second five years' projection should be beneficial to each shareholder.

Sincerely,
MOONEY BROADCASTING CORPORATION

George P. Mooney
President



1971 at a glance

FOR THE YEAR	1971	1970	1969	1968	1967*
Net Sales	$3,578,425	$2,595,380	$1,361,657	$833,685	$384,981
Earnings (Loss) Before Taxes	321,209	30,345	271,946	52,970	(17,422)
Net Earnings (Loss)	226,740	(5,292)	141,957	42,938	(18,416)
Earnings (Loss) Per Share	.91	(.02)	.57	.34	(.39)
Cash Dividends Per Share	.12	.12	.06	-	-
Expenditures for Property	237,524	794,400	228,086	6,682	508,057
Depreciation and Amortization of Property	134,082	102,428	31,089	33,016	13,303
AT END OF YEAR					
Working Capital	101,573	17,894	148,335	350,680	16,709
Net Property, Plant and Equipment	1,179,611	1,094,094	678,114	495,364	523,702
Total Assets	4,513,185	4,150,217	1,587,662	1,259,986	914,762
Stockholders' Equity	1,391,706	1,194,966	1,230,258	1,095,861	56,113

*1967 represents the period of July, 1967 (date of commencement of operations) through December 31, 1967.

OFFICERS OF CORPORATION	**GEORGE P. MOONEY,** Chief Executive Officer **FRANK H. MARSH, JR.,** Secretary and General Counsel **JOHN W. BAILEY,** Vice President **JERRY A. ADAMS,** Vice President and General Manager, WMAK Radio **JOHN A. BOMER,** Vice President and General Manager, WKGN Radio **DAVID F. GLEASON,** Vice President and General Manager, WUNO Radio **SAM C. TRENT,** Vice President and General Manager, WBSR Radio **JOHN R. MILLS,** Vice President and General Manager, Rankin Sign Co. **JOE F. ANDERSON,** Vice President and General Manager, Young Electric Signs **THOMAS G. YOUNG,** Vice President, Young Electric Signs **SARA D. HICKMAN,** Controller
BOARD OF DIRECTORS	**GEORGE P. MOONEY,** Chairman and President **FRANK H. MARSH, JR.,** Attorney **JOHN W. BAILEY,** Vice President, Hamilton National Bank **NAT BURING,** President, Nat Buring Packing Co. **JOHN H. SCHAAD, JR.,** President, Schaad Enterprises, Inc.
AUDITORS	A. M. Pullen & Company, Knoxville, Tennessee
LEGAL COUNSEL	Marsh, Thompson & Jackson, Knoxville, Tennessee
COMMUNICATIONS COUNSEL	Fletcher, Heald, Powell, Kenehan, & Hildreth, Washington, D.C.
TRANSFER AGENT	Third National Bank, Nashville, Tennessee

Knoxville - Signs·O·Rama Rankin Sign Co.

1971 was not a good year for the sign business nationally. Unfortunately, Rankin was no exception to this trend. However, every indication is that 1972 will see a turn-around and that Rankin will share the success of the other Mooney facilities.

A new manager, John Mills, has the same energetic "win the game" attitude as do the Mooney radio station managers. John boasts fifteen years sign experience with Plasti-Line, a giant of the industry. He gained valuable experience and knowledge under the best in all phases of the business. He worked in the mold, fabrication, paint, engineering and pattern departments before becoming a top Plasti-Line salesman.

The backlog of signed orders in the month of January has doubled the sales figure for the entire first quarter of 1971.

Under its founder, Bruce Rankin, Rankin Sign Company acquired a reputation for giving fast, efficient service and quality manufacturing of custom signs. This same philosophy of quality, efficiency and service is continued in today's operation under the leadership of John Mills.

We commence 1972 with experienced, skilled personnel, and enlarged modern facilities. Rankin will continue to incorporate the newer methods and components into its production operations.

Rankin's landmark sign on I-75 North serves the community with public service announcements and eye catching slogans.

Atlanta - Young Electric Signs, Inc.

The 1971 economy of the sign industry was felt to some degree by Young Electric Signs. However, despite the reverses nation-wide Young was able to maintain a competent capable staff of skilled experienced craftsmen with no layoffs.

Now at the outset of 1972 this organized crew of efficient people will be hard pressed to turn out the backlog of orders already in the house.

$350,000 in sales have already been booked compared to only $98,000 for the entire first quarter of 1971. January, 1972 billing totaled $68,000 compared to $20,000 in January, 1971.

Joe Anderson assumed the management of Young Electric in September, 1971. In his work as overall superintendent of Young, it was noted that Joe demonstrated the winning desire typified in the successful Mooney broadcast operations.

Joe Anderson served seven years in the sheet metal fabrication department of State Neon prior to joining Young Electric in 1961, as Tom Young's sheet metal fabricating mechanic. In his six years as superintendent, he was in charge of the entire plant operation and outside erection as well. Joe assisted Young Electric in its growth from a beginner to a recognized leader in the industry.

Prior to founding his own company, Tom Young established himself as one of the nation's all time top sign salesmen. When he founded Young Electric Signs, he selected only the most qualified skilled craftsmen as employees. He insisted on perfection in the manufacture of custom signs.

The same high ideals and principles established by Tom Young are being followed today.

San Juan, Puerto Rico - WUNO

WUNO is a 24 hour station with 5000 watts at 1320 serving nearly 1,000,000 persons in greater San Juan.

Under the capable leadership of manager David Gleason and program director Alfred Herger WUNO achieved its rightful position atop survey reports - Numero UNO. Radio UNO - Numero UNO mas horas durante el dia en programacion musical.

Within the space of one year, Manager Gleason and commercial manager Manuel Rivera Morales turned a revenue loser into one of MBC's most profitable operations. WUNO's 1970 loss became a profit in 1971. The turn-around exceeded $200,000. January, 1972 sales exceed those of 1971 by 75%.

Radio UNO is very conscious of the role it can play for the welfare and betterment of the Puerto Rico community. The staff has been complimented on the general knowledge programs which have been presented. These are informative capsules which cover such topics as Puerto Rico History, reasons for various Puerto Rico holiday celebrations, origination of traditions, origination of customs, origination of unusual words in the Spanish language and colloquialisms. Simple interpretation of the meanings of the constitution have been favored by UNO listeners.

Listener opinions instigated by UNO have resulted in numerous improvements for San Juan citizens. UNO was instrumental in getting hot water installed in island medical facilities. A park was provided with nighttime illumination for young people to enjoy sport and recreational facilities as a result of UNO's efforts. UNO's efforts have also resulted in numerous street and sanitation improvements.

UNO's Alfred Herger was honored by the Record World as Latin American dee jay of the year. He was also selected as Master of Ceremonies for the world renowned Latin American Song Festival held in Buenos Aires, Argentina.

WUNO is moving into its new building. This modern new structure, with the latest up-to-date technical equipment, and modern furnishings is a facility of which we can be proud. These improved working conditions for our employees should reflect an even greater sales and profit increase in 1972.

The capable "want-to-win" staff which David Gleason selected is justifiably proud of its accomplishments and they are aiming to become the overall radio leader in the Mooney Broadcasting organization.

"Hasta cuando el sol se pone radio UNO brilla." (Even when the sun goes down Radio UNO shines.)

Birmingham - WBRC am & fm

A pioneer station in Birmingham, WBRC Radio was established in 1925 as a part of the Bell Radio Company.

Ownership has changed several times, but for more than forty-six years, WBRC has served the people of Greater Birmingham with the best possible entertainment, religious, public affairs, news and sports programs.

WBRC, under Taft ownership has become the leading general audience or MOR station in the market, featuring University of Alabama football and basketball, selected national sporting events, twenty-four hour news and weather and the best in currently popular music.

1971 marks the 100th Anniversary of Birmingham. More than one dozen new buildings in downtown Birmingham are either completed, under construction or planned.

A new $30,000,000 Civic Center is under construction.

New buildings are rising almost each month in the expansion of the University of Alabama which is creating one of the nation's great regional medical and educational complexes.

South Central Bell Telephone Co. chose Birmingham as headquarters for a new $2,000,000,000 corporation covering Kentucky, Tennessee, Mississippi, Louisiana and Alabama.

A new $13,000,000 airport terminal is under construction.

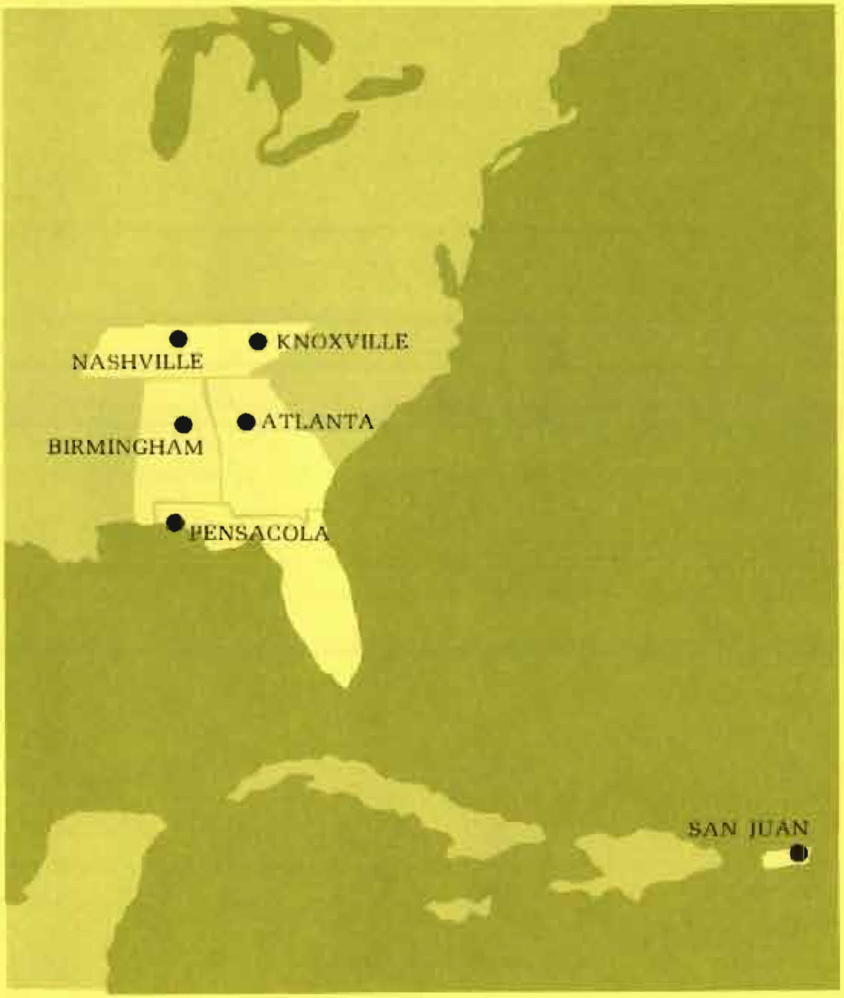
Presently about two-thirds of Alabama's population lives within 100 miles of Birmingham. Almost 40% of all Alabamans reside within the WBRC coverage area.

Birmingham ranks 43rd in population and households nationally, and is 10th regionally among thirteen southern states.

In addition to purchasing an outstanding radio facility, Mooney Broadcasting Corporation is inheriting an experienced capable staff who have turned in an excellent performance for Taft Broadcasting. These same fine people will be counted on to continue winning with Mooney Broadcasting.

Mooney Broadcasting upon transfer approval by the Federal Communications Commission will continue and increase the successful operation and service of WBRC AM-FM.

Mooney Operations



KNOXVILLE, TENNESSEE
Mooney Broadcasting Corp. Headquarters
WKGN Radio 1340 KC
Rankin Sign Co.

NASHVILLE, TENNESSEE
WMAK Radio 1300 KC

PENSACOLA, FLORIDA
WBSR Radio 1450 KC

SAN JUAN, PUERTO RICO
WUNO Radio 1320 KC

ATLANTA, GEORGIA
Young Electric Sign Co.

***BIRMINGHAM, ALABAMA**
WBRC AM Radio 960 KC
WBRC FM Radio 106.9 MC

*Purchase agreement signed 1/19/72, pending Federal Communications Commission approval.

Knoxville - WKGN

This first station in the Mooney group is a 24 hour operation on 1340 serving middle East Tennessee. WKGN is the most modern, complete up-to-date radio facility in this area . . . in fact, one of the finest in the entire industry. Boasting the latest in technical equipment and modern decor, it is truly a show place.

In addition to providing musical and other entertainment, WKGN sets an exemplary pace in community involvement.

The Associated Press named WKGN the Number One news station for the State of Tennessee, and WKGN was a finalist for the A.P. National Award.

WKGN's intensive campaign on drug abuse played a key role in the Knoxville Police Department's operation "Aquarius" which resulted in over one hundred arrests and convictions, and which "tremendously slowed down drug traffic". Posters, pamphlets, and other materials were mailed to all city and county schools, as well as all physicians' offices. Copies were also made available to listeners. Anonymous interviews with drug users were broadcast to add force to this strong promotion.

Recognizing the condition of Knoxville's Zoo, WKGN instigated a promotion to buy a tiger cub. A $1000 "Good Guy" is now a permanent resident in the expanding zoo facilities.

"Making A Dream Come True" for the "special" children at Pedigo School consisted of buying much needed playground equipment tailored for their unique needs.

WKGN cooperates and works closely with the University of Tennessee Communications Department. Several students have been able to receive their degrees as the result of WKGN employment. The Communications Fraternity A.E. Rho joined WKGN's city election coverage team in setting an all time "wrap-up" record. All other outlets, including the Associated Press, used WKGN's rapidly tabulated election results.

John Bomer, who has worked with MBC president George Mooney for eight years, is WKGN's leader. He is ably assisted by an experienced, capable staff which is conscious of its community needs. A staff which knows how to win for the Mooney organization.

Nashville - WMAK

WMAK is a 24 hour station with a power of 5000 watts at 1300 serving Middle Tennessee. Shortly after joining MBC November 1, 1967, WMAK became dominant in Nashville ratings and billing. WMAK is recognized throughout the broadcast industry as a strong leader in the broadcast field.

1300/WMAK recognizes its responsibility to the Middle Tennessee area. Numerous campaigns were launched vigorously by WMAK to promote for the needs and welfare of its community.

The WMAK All-American Golf Tournament was held with all proceeds donated to Cave Springs Home for retarded children. WMAK was also instrumental in Nashville's Five Drive for Clover Bottom Hospital for retarded children.

An eleven year old girl suffering from a kidney disease was given new hope when WMAK launched a drive for money to keep her on a kidney machine.

Over $14,000 was turned over to Danny Thomas' St. Jude Hospital in Memphis as a result of WMAK's Teen March.

Because of its consistent news pace through the years, the Associated Press created a new "special award" above all others for WMAK. 1300/WMAK was named by the Associated Press as one of the top five news gathering stations in the nation.

The Middle Tennessee audience cast more votes for WMAK than any station in the nation received from its audience, thus earning 1300/WMAK Station of the Year by "Sixteen" magazine.

The success of 1300/WMAK is not an accident. The WMAK people are professionals dedicated to being outstanding citizens of metropolitan Nashville.

Jerry Adams, who has worked with MBC president George Mooney for seven years, is WMAK's guiding hand. His capable right hand is Richard Huneycutt who has been with WMAK since the take over by MBC. They are ably abetted by a staff proud of MBC with a goal to be the most respected Broadcast Company in the industry.

Pensacola - WBSR

Pensacola is the hub of Northwest Florida. WBSR which broadcasts 24 hours per day on 1450 is the center of Pensacola action.

WBSR radio news earned the Associated Press News Award as the Number One News Department in the State of Florida.

WBSR raised $11,000 expense money to send nine Pensacola high school students and WBSR's program director to Paris, France to plead with the Vietnamese Delegation for the immediate release of all American Prisoners of War-Missing in Action. The events which took place in Paris received national news coverage.

WBSR joined with the Escambia Bay Jaycees in establishing the first Boys' Club in the Florida Panhandle. Over $3,000 was initially raised through joint WBSR-Jaycee promotions. A Boys' Club has been organized and has received a state charter. Now with the backing of Governor Askew, WBSR and the Jaycees are selling $1.00 per share stock in the future of the Youth of Escambia County. A successful goal of $50,000 is forecast for the benefit of Pensacolas' youth.

WBSR conducted a voter registration campaign in conjunction with election officials at the station. Free entertainment and refreshments plus an acrobatic show brought a turn-out that resulted in over 2,000 additional voter registrations.

WBSR's involvement in the Mother's March from door-to-door for the March of Dimes resulted in a 47% increase of donations over the previous year.

The personnel of WBSR are key citizens of their community. They are involved in community activities. WBSR's listeners know this and have kept WBSR Number One in all surveys.

WBSR's general manager Sam Trent has worked with MBC president George Mooney for ten years. His right hand guide, Ben Larson, has worked with Mooney nine years.

MOONEY BROADCASTING CORPORATION AND SUBSIDIARIES

Statement of Consolidated Income and Retained Earnings

Year Ended December 31, 1971
(With comparative figures for the year ended December 31, 1970)

	1971	1970
Revenues:		
Broadcasting	$2,553,548	$1,852,179
Sign sales, rentals and maintenance	987,913	698,812
Other	36,964	44,389
	3,578,425	2,595,380
Costs and expenses:		
Operating expenses - broadcasting	625,054	550,839
Cost of sign sales, rentals and sign maintenance	696,793	505,082
Selling, general and administrative expenses	1,753,575	1,364,750
Interest expense	181,794	154,364
Minority interest in net income (loss)	-	(10,000)
	3,257,216	2,565,035
Income before income taxes and extraordinary item	**321,209**	**30,345**
Provision for federal and state income taxes (Note 7)	124,069	35,637
Income (loss) before extraordinary item	**197,140**	**(5,292)**
Extraordinary item: (Note 7):		
Reduction of income taxes arising from carryforward of prior year's net operating loss	29,600	-
Net income (loss)	**226,740**	**(5,292)**
Retained Earnings at Beginning of Year	116,187	151,479
Less: Cash dividends on common stock - $.12 per share	(30,000)	(30,000)
Retained Earnings at End of Year	$ 312,927	$ 116,187
Earnings (loss) per common share:		
Income (loss) before extraordinary item	$ .79	$ (.02)
Extraordinary item	.12	-
Net income (loss)	$ .91	$ (.02)

See Accompanying Notes to Financial Statements.

Consolidated Balance Sheet

December 31, 1971
(With comparative figures as of December 31, 1970)

ASSETS

	1971	1970 (Note 1)
Current Assets:		
Cash	$ 84,621	$ 109,007
Certificate of deposit (pledged to note payable)	-	90,000
Receivables:		
Trade Accounts	637,568	546,360
Contracts, less unearned finance and maintenance service charges of $209,178 (1970-$84,723) (Notes 2 and 6)	217,896	66,145
Less: allowances for doubtful accounts	(28,000)	(12,729)
Inventories (Note 3)	158,378	80,310
Prepaid expenses and miscellaneous	76,730	58,986
Total Current Assets	1,147,193	938,079
Investments and Other Assets:		
Goodwill and licenses (Notes 1 and 4)	2,038,527	2,029,027
Organization expense, net of amortization (Note 5)	38,003	45,143
Prepaid interest	77,771	21,246
Cash value of life insurance, net of policy loan - $9,108	12,873	10,509
Miscellaneous	19,207	12,119
	2,186,381	2,118,044
Property, Plant, Equipment and Leaseholds - At cost: (Note 6)		
Land	184,731	184,731
Buildings	244,110	146,999
Equipment and furnishings	1,124,964	1,045,902
Automobiles and trucks	124,606	120,663
Leasehold improvements	74,800	68,306
	1,753,211	1,566,601
Less: allowances for depreciation and amortization (Note 5)	573,600	472,507
	1,179,611	1,094,094
	$4,513,185	$4,150,217

See Accompanying Notes to Financial Statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	1971	1970 (Note 1)
Current Liabilities:		
Notes payable:		
Bank - unsecured	$ -	$ 30,000
Individual (collateralized by certificate of deposit)	-	90,000
Current maturities on long-term debt (Note 6)	655,007	495,662
Trade accounts payable	52,888	100,315
Accrued liabilities:		
Commissions	139,242	60,959
Salaries	52,122	13,614
Interest	14,472	59,261
Taxes other than taxes on income	36,408	20,680
Other	4,823	1,381
Income taxes: (Note 7)		
Currently payable	74,822	48,313
Deferred	15,836	-
Total Current Liabilities	1,045,620	920,185
Long-Term Debt (Note 6)	**2,054,816**	**2,025,566**
Deferred Income Taxes (Note 7)	**21,043**	**9,500**
Stockholders' Equity:		
Common stock - par value $1.00 per share:		
Authorized 1,000,000 shares; issued and outstanding 250,000 shares	250,000	250,000
Capital in excess of par value	828,779	828,779
Retained earnings	312,927	116,187
	1,391,706	**1,194,966**
	$4,513,185	**$4,150,217**

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1971
(With comparative figures for the year ended December 31, 1970)

	1971	1970 (Note 1)
Sources of Working Capital:		
From operations:		
Income (loss) before extraordinary item	$ 197,140	$ (5,292)
Add expenses not requiring outlay of working capital in the current year:		
Depreciation and amortization:		
Property, plant and equipment	134,082	102,428
Amortization of intangible assets and organization expense	7,640	6,256
Minority interest in income (loss)		(10,000)
Increase in deferred income taxes	11,543	9,500
Working capital provided from operations, exclusive of extraordinary item	350,405	102,892
Working capital provided from extraordinary item - income tax benefit of loss carryforward	29,600	-
Working Capital Provided from Operations	380,005	102,892
Working capital of businesses acquired	-	312,641
Long-term debt borrowing	559,363	2,233,970
Total	939,368	2,649,503
Uses of Working Capital:		
Acquisitions of businesses:		
Working capital	-	312,641
Property, plant and equipment - net	-	352,184
Goodwill and licenses	-	1,551,269
Other	-	7,725
Long-term debt	-	(261,558)
Minority interest	-	(10,000)
Purchase price	-	**1,952,261**
Additions to property, plant and equipment less book value of disposals	219,599	166,224
Reduction of long-term debt	530,113	581,348
Cash dividends paid on common stock	30,000	30,000
Purchase of minority interest of subsidiaries	10,000	16,700
Other - net	65,977	33,411
Total	855,689	2,779,944
Increase (Decrease) in Working Capital	$ 83,679	$ (130,441)
Changes in Working Capital:		
Current assets - increase (decrease):		
Cash	$ (114,386)	$ 18,541
Receivables - net	227,688	388,578
Inventories	78,068	80,310
Other current assets	17,744	56,056
Total	209,114	543,485
Current liabilities - increase (decrease):		
Notes payable and current long-term debt maturities	39,345	572,684
Accounts payable	(47,427)	67,115
Accrued liabilities	91,172	119,628
Income taxes	42,345	(85,501)
Total	125,435	673,926
Increase (Decrease) in Working Capital (As Above)	$ 83,679	$ (130,441)

See accompanying Notes to Financial Statements.

Notes to Consolidated Financial Statements

DECEMBER 31, 1971

1. Principles of Consolidation and Related Matters:

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, all wholly owned since February 11, 1971. The financial statements for the year ended December 31, 1970 have been restated to conform to classifications used for the current year. All material intercompany transactions have been eliminated.

On January 1, 1970, the Company acquired 80% of the common stock of Signs-O-Rama, Inc., which began operations on that date, for $40,000. On February 11, 1971, the Company purchased the 20% minority interest for $10,000. Since the minority interest equity was eliminated in 1970 by the operating loss of the subsidiary, the purchase price has been allocated to goodwill.

On May 1, 1970, the Company purchased the outstanding common stock of San Juan Broadcasting Corporation. The aggregate purchase price of $1,237,261 was $1,061,178 in excess of the book value of the underlying net assets. The consolidated balance sheet of the Company at December 31, 1970 and the consolidated statement of changes in financial position for the year then ended have been restated to reflect an additional acquisition cost of San Juan Broadcasting Corporation in the amount of $137,261. This amount was reflected in the consolidated balance sheet at December 31, 1970 as a note receivable from former officers of the acquired company. Subsequent to that date, it has been determined by the Company's general counsel that this amount constituted a portion of the purchase price of San Juan Broadcasting Corporation.

On June 1, 1970, the Company purchased the outstanding common stock of Young Electric Signs, Inc. The aggregate purchase price of $675,000 was $460,517 in excess of the book value of the underlying net assets.

The excess of the purchase price of the businesses acquired over the underlying net assets has been allocated to goodwill and licenses (See Note 4). The operations of the acquired companies have been included from the acquisition dates.

2. Contracts Receivable Under Lease Sales:

The Company produces signs both for sale and for lease. The contracts receivable represent amounts due under noncancellable fixed term leases, generally due monthly over periods ranging from three to five years.

The noncancellable fixed term leases, which are intended to cover the selling price of the signs, are accounted for as financing leases and the aggregate rentals due under such leases (less unearned finance and maintenance service charges) are recorded in revenues as sales in the period in which the sign subject to the lease is delivered to the customer. Unearned finance and maintenance service charges are taken into income over the life of the related contracts.

At December 31, 1971 contracts receivable due after one year approximate $167,415 ($55,705 in 1970).

3. Inventories:

Inventories are stated at the lower of cost (first-in, first-out method) or market. The values assigned to work-in-progress are based on accumulated costs of material, labor and manufacturing overhead.

Inventories used in determining costs of products sold were as follows:

	1971	1970
Sign materials	$ 82,080	$ 54,200
Sign work-in-progress	76,298	26,110
	$158,378	$ 80,310

4. Goodwill and licenses:

This intangible represents the costs of businesses acquired in excess of values ascribed to the net tangible assets received. Intangible assets aggregating $2,029,027 are not being amortized since, in the opinion of management, there has been no diminution of value of the acquired companies. In accordance with Opinion No. 17 of the Accounting Principles Board of the American Institute of Certified Public Accountants, the intangible asset of $10,000, arising in 1971, is being amortized over a twenty-year period.

5. Depreciation and Amortization:

Depreciation and amortization provided on plant and equipment, determined principally under the straight-line method, amounted to $134,082 for 1971 ($102,428 for 1970).

Amortization of organization expenses, on a sixty-month straight-line basis, amounted to $7,140 for 1971 ($6,256 for 1970).

Notes to Financial Statements (Continued)

6. Long-Term Debt:

Long-term debt consists of the following:

	1971	1970
Banks:		
Mortgage note to a bank, due in monthly installments of $30,000, plus interest at ¾ of 1% above the prime rate	$1,500,000	$1,505,000
8-½% mortgage note to a bank, due in monthly installments of $1,116, including interest	77,532	84,362
10% notes to a bank due in monthly installments aggregating $12,593 ($4,937 in 1970), including interest, and collateralized by installment contracts receivable	474,992	177,619
Other:		
6% mortgage note due in monthly installments of $376, including interest	$ 4,696	$ 8,728
5%-8% equipment and vehicle purchase obligations due in monthly installments aggregating $3,962 ($1,997 in 1970), including interest	72,009	59,769
8% note due in monthly installments of $4,992, including interest, and collateralized by the common stock of a subsidiary having net assets of $238,676 at December 31, 1971	415,594	479,250
7% unsecured note due in annual installments of $13,500, plus interest	81,000	94,500
Unsecured note due $28,000 annually, plus interest at prime rate	84,000	112,000
Total	2,709,823	2,521,228
Less: Current maturities	655,007	495,662
	$2,054,816	$2,025,566

Substantially all real and tangible personal property of the Company and its subsidiaries are pledged to the mortgage and equipment notes.

7. Income Taxes:

The Company and its domestic subsidiaries file consolidated Federal income tax returns. A loss ($46,415) incurred by San Juan Broadcasting Corporation reduced consolidated net income of 1970 without reducing the income tax provision. Utilization of a portion of this carryforward loss in 1971 is reflected as an extraordinary item in the income statement and a net operating loss carryforward in the approximate amount of $25,000 is available to 1975 to reduce future taxable income of the subsidiary. The provision for income taxes is subject to final determination by Federal taxing authorities. Income tax returns of the Company and certain subsidiaries have been examined through 1969. Returns of San Juan Broadcasting Corporation for 1969 and 1970 and returns of Young Electric Signs, Inc. for years open under the Statute have not been examined.

For income tax purposes, income from contracts receivable under lease sales (see Note 2) is reported on the installment basis and accelerated depreciation is taken on certain fixed properties. Deferred income taxes of $27,379 ($9,500 in 1970) have been provided for these timing differences.

The Company has followed the practice of treating investment tax credits as reductions of income tax expense in the year in which the credits are actually realized. Such credits have not been material.

8. **Lease Obligations:**

Subsidiaries of the Company are obligated for rentals, currently aggregating $64,000 annually, under long-term leases for operating premises. These leases expire in 1973 to 1981 and one of the leases provides for increasing annual rental and an option to renew.

9. **Profit-Sharing Plan:**

During the year ended December 31, 1971 the Company and its subsidiaries instituted a profit-sharing plan covering all employees meeting eligibility requirements. The plan provides for contributions by the Companies in such amounts as the Board of Directors may annually determine, but not in excess of 15% of the compensation of covered employees. No contribution was made or accrued for the year ended December 31, 1971 inasmuch as the plan has not qualified with Internal Revenue Service.

10. **Reserved Common Stock:**

At December 31, 1971, 19,500 shares of the Company's stock have been reserved and set aside for the management and employees of the Company in such individual amounts as the Board of Directors may determine. Such shares, if offered, will be sold at a price of $8.00 per share payable in cash. Any of such shares, if offered, must be offered prior to October 1, 1973. This reserve was established and authorized at the time of the Company's initial public stock offering in 1968. The Board of Directors at this time has made no determination concerning the offering of such stock.

The Company agreed in 1968 to issue to Tennessee Securities the right to purchase 8,000 shares which was deemed additional compensation. The price to Tennessee Securities is $9.50 per share, exercisable at any time prior to October 1, 1973.

11. **Pending Acquisitions:**

On January 19, 1972 the Company entered into an agreement to purchase the license and certain assets of WBRC-AM and WBRC-FM in Birmingham, Alabama for an aggregate purchase price of $2,050,000. The consummation of this purchase is subject to approval of the Federal Communications Commission. For accounting purposes, this acquisition will be treated as a "purchase."

The Company has a commitment from a bank in the amount of $400,000 to satisfy the initial payment called for by the agreement. The balance of the purchase price ($1,650,000) is payable in four installments of increasing amounts commencing 24 months after the closing date.

The purchase price is expected to be allocated as follows:

Property, plant and equipment	$ 300,000
Goodwill and licenses	1,750,000
Total	$2,050,000

Final allocation of the purchase price is expected to be determined on the basis of an appraisal.

12. **Pro-Forma Operating Summary (Unaudited):**

The following pro-forma summary presents operating information for 1970 as though the companies acquired during that year (see Note 1) had been combined at the beginning of the year, after pro-forma adjustments for additional interest cost, net of income taxes, on debt incurred in the acquisition:

	1970
Revenues	$2,951,269
Net income (loss)	$ (80,782)
Earnings (loss) per common share	$ (.32)

Report of Certified Public Accountants

The Board of Directors
Mooney Broadcasting Corporation
Knoxville, Tennessee

We have examined the consolidated balance sheet of Mooney Broadcasting Corporation and Subsidiaries as of December 31, 1971 and December 31, 1970 and the related consolidated statements of income and retained earnings and changes in financial position for the two years ended December 31, 1971. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of San Juan Broadcasting Corporation, a subsidiary acquired May 1, 1970, for the eight months ended December 31, 1970; the statements not examined by us (representing approximately 15% of consolidated net assets including intangibles arising from acquisitions of businesses - see Notes 1 and 4, and reflecting a net loss of $46,415 included in the consolidated net loss of $5,292 for the year ended December 31, 1970) were examined by another certified public accountant whose report thereon has been furnished to us.

In our opinion, based upon our examinations and the aforementioned report of another certified public accountant, the financial statements referred to above present fairly the financial position of Mooney Broadcasting Corporation and Subsidiaries at December 31, 1971 and December 31, 1970 and the consolidated results of their operations and changes in their financial position for the two years ended December 31, 1971, in conformity with generally accepted accounting principles applied on a consistent basis.

A. M. PULLEN & COMPANY

Knoxville, Tennessee
January 21, 1972

Mooney Corporate Staff

Mooney Broadcasting Corporation is headquartered in Knoxville, Tennessee. The staff is composed of a complete Central Accounting Department, where all corporate books and records for its entire operation are maintained.

Mrs. Sara Hickman is responsible for all Financial matters. Mrs. Betty Acuff is in charge of operations.

This headquarter unit functions as a service division for all the subsidiaries and properties of Mooney, and supplies them with information and data which would be uneconomical in a single faceted operation.

mooney broadcasting corporation

6th FLOOR HAMILTON BANK BUILDING □ BOX 1750 KNOXVILLE, TENNESSEE 37901

615/546-7202