

WMPG-FM

**Financial Statements
for the years ended June 30, 2019 and 2018**

(See Independent Auditor's Report)

M^cLeod | Ascanio

Certified Public Accountants

Scott A. M^cLeod
Managing Principal

James Ascanio
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Sally Swanson
Principal

Matthew R. Barbour
Principal

Independent Auditor's Report

To the Members of the Student Communications Board
At the University of Southern Maine

We have audited the accompanying financial statements of WMPG-FM (a nonprofit WMPG-FM), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WMPG-FM as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Notes 1 and 2, the financial statements as of the year ended June 30, 2018 have been restated due to the adoption of Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

A handwritten signature in black ink, appearing to read "McLeod / Ascurio". The signature is written in a cursive, flowing style.

Cumberland Foreside, Maine

October 27, 2020

WMPG-FM
STATEMENTS OF FINANCIAL POSITION
for the years ended June 30, 2019 and 2018
(See Independent Auditor's Report)

	<u>2019</u>	<u>2018</u>
		Restated
<u>ASSETS</u>		
Current assets:		
Cash and equivalents	\$ 464,318	\$ 506,861
Accounts receivable, net of allowance for doubtful accounts of \$1,197 in both years	4,662	1,709
Prepaid expenses	7,586	7,435
Investments - Notes 6 & 7	<u>26,884</u>	<u>-</u>
Total current assets	503,450	516,005
Property and equipment:		
Computers and software	32,330	32,330
Furniture and fixtures	6,906	6,906
Digital communications equipment	106,404	91,787
Other equipment	<u>63,567</u>	<u>63,567</u>
	209,207	194,590
Less: Accumulated depreciation	<u>(178,589)</u>	<u>(167,675)</u>
Property and equipment, net	30,618	26,915
Website, net of amortization	<u>2,331</u>	<u>4,662</u>
Total Assets	<u><u>\$ 536,399</u></u>	<u><u>\$ 547,582</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	<u>\$ -</u>	<u>\$ 12,441</u>
Total current liabilities	-	12,441
Net assets:		
Without donor restrictions	511,037	511,779
With donor restrictions	<u>25,362</u>	<u>23,362</u>
Total net assets	<u>536,399</u>	<u>535,141</u>
Total Liabilities and Net Assets	<u><u>\$ 536,399</u></u>	<u><u>\$ 547,582</u></u>

The accompanying notes are an integral part of these financial statements

WMPG-FM
STATEMENT OF ACTIVITIES
for the year ended June 30, 2019 and 2018
(See Independent Auditor's Report)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support:			
Support:			
University allocation of student fee	\$ 60,791	\$ -	\$ 60,791
Grants	53,128	24,105	77,233
Total support	113,919	24,105	138,024
Revenues:			
Fundraising	126,794	-	126,794
Advertising and underwriting	32,151	-	32,151
In-kind contributions	25,756	-	25,756
Miscellaneous	500	-	500
Total revenues	185,201	-	185,201
Net assets released from restriction			
Satisfaction of time and purpose restrictions	22,105	(22,105)	-
Total operating revenues and support	321,225	2,000	323,225
Operating expenses:			
Program services	184,076	-	184,076
Management and general	92,330	-	92,330
Fundraising	47,429	-	47,429
Total operating expenses	323,835	-	323,835
Operating revenues and support in excess (deficit) of operating expenses	(2,610)	2,000	(610)
Other changes:			
Dividend and interest income, net of fees	893	-	893
Realized and unrealized gains (losses) on investments, net	975	-	975
Change in net assets	(742)	2,000	1,258
Net assets, beginning of the year	511,779	23,362	535,141
Net assets, end of the year	<u>\$ 511,037</u>	<u>\$ 25,362</u>	<u>\$ 536,399</u>

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WMPG-FM
STATEMENT OF ACTIVITIES
for the year ended June 30, 2019 and 2018
(See Independent Auditor's Report)

	Re stated		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenues and support:			
Support:			
University allocation of student fee	\$ 64,304	\$ -	\$ 64,304
Grants	52,982	23,506	76,488
Total support	<u>117,286</u>	<u>23,506</u>	<u>140,792</u>
Revenues:			
Fundraising	127,225	-	127,225
Advertising and underwriting	42,575	-	42,575
In-kind contributions	31,914	-	31,914
Miscellaneous	601	-	601
Total revenues	<u>202,315</u>	<u>-</u>	<u>202,315</u>
Net assets released from restriction			
Satisfaction of time and purpose restrictions	<u>31,204</u>	<u>(31,204)</u>	<u>-</u>
Total operating revenues and support	<u>350,805</u>	<u>(7,698)</u>	<u>343,107</u>
Operating expenses:			
Program services	198,292	-	198,292
Management and general	80,568	-	80,568
Fundraising	<u>51,634</u>	<u>-</u>	<u>51,634</u>
Total operating expenses	<u>330,494</u>	<u>-</u>	<u>330,494</u>
Operating revenues and support in excess (deficit) of operating expenses	20,311	(7,698)	12,613
Other changes:			
Interest income	<u>564</u>	<u>-</u>	<u>564</u>
Change in net assets	20,875	(7,698)	13,177
Net assets, beginning of the year	<u>490,904</u>	<u>31,060</u>	<u>521,964</u>
Net assets, end of the year	<u><u>\$ 511,779</u></u>	<u><u>\$ 23,362</u></u>	<u><u>\$ 535,141</u></u>

The accompanying notes are an integral part of these financial statements

WMPG-FM
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2019 and 2018
(See Independent Auditor's Report)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and stipends	\$ 82,644	\$ 67,760	\$ 40,000	\$ 190,404
Professional fees	28,041	5,500	-	33,541
Rent fees	29,946	-	-	29,946
Depreciation	8,559	4,685	-	13,244
Promotions and special events expense	4,969	-	6,945	11,914
Office supplies and expenses	-	9,878	484	10,362
Licenses and fees	9,378	-	-	9,378
Small equipment purchases	6,484	592	-	7,076
Utilities	6,887	-	-	6,887
Telephone and internet expenses	1,476	3,915	-	5,391
Repairs and maintenance	4,322	-	-	4,322
Insurance	1,370	-	-	1,370
Total expenses	<u>\$ 184,076</u>	<u>\$ 92,330</u>	<u>\$ 47,429</u>	<u>\$ 323,835</u>

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WMPG-FM
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2019 and 2018
(See Independent Auditor's Report)

	Program Services	Management and General	Fundraising	Total
Salaries and stipends	\$ 81,690	\$ 65,000	\$ 40,000	\$ 186,690
Professional fees	38,469	-	-	38,469
Rent fees	27,652	-	-	27,652
Depreciation	7,042	5,171	-	12,213
Promotions and special events expense	5,223	-	11,060	16,283
Office supplies and expenses	-	6,429	574	7,003
Licenses and fees	9,936	-	-	9,936
Small equipment purchases	4,594	-	-	4,594
Utilities	4,978	-	-	4,978
Telephone and internet expenses	1,524	3,968	-	5,492
Repairs and maintenance	6,966	-	-	6,966
Insurance	1,008	-	-	1,008
Advertising	9,210	-	-	9,210
Total expenses	<u>\$ 198,292</u>	<u>\$ 80,568</u>	<u>\$ 51,634</u>	<u>\$ 330,494</u>

The accompanying notes are an integral part of these financial statements

WMPG-FM
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2019 and 2018
(See Independent Auditor's Report)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Net increase in net assets	\$ 1,258	\$ 13,177
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization expense	13,245	12,213
Realize and unrealized (gains) losses on investments, net	(975)	-
(Increase) decrease in:		
Accounts receivable	(2,953)	(568)
Prepaid expenses	(151)	344
Increase (decrease) in:		
Accounts payable	<u>(12,441)</u>	<u>12,406</u>
Total cash flows provided by operating activities	(2,017)	37,572
Cash flows from investing activities:		
Purchases of property and equipment	(14,617)	(11,444)
Purchases of investments	(33,244)	-
Proceeds from sales of investments	<u>7,335</u>	<u>-</u>
Total cash flows utilized in investing activities	<u>(40,526)</u>	<u>(11,444)</u>
Increase (decrease) in cash and equivalents during the year	(42,543)	26,128
Cash and equivalents, beginning of the year	<u>506,861</u>	<u>480,733</u>
Cash and equivalents, end of the year	<u><u>\$ 464,318</u></u>	<u><u>\$ 506,861</u></u>

The accompanying notes are an integral part of these financial statements

WMPG-FM
NOTES TO THE FINANCIAL STATEMENTS
for the years ended June 30, 2019 and 2018
(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Business

WMPG-FM's purpose is to provide a high quality, community-oriented broadcast service to the people of Southern Maine. WMPG-FM is governed by the Board of Trustees of the University of Southern Maine (the "University"), a public university chartered under the laws of Maine.

Recently Adopted Accounting Pronouncements

Effective July 1, 2018, WMPG-FM adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new standard changes presentation and disclosure requirements with the intention of helping not-for-profits provide more relevant information about their resources—and the changes in those resources—to donors, grantors, creditors and other financial statement users.

ASU 2016-14 decreases the number of net asset classes from three to two; requires to use the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset); continues to allow preparers to choose between the direct method and indirect method for presenting operating cash flows, eliminating the requirement for those who use the direct method to perform reconciliation with the indirect method; requires a not-for-profit to provide qualitative and quantitative information regarding its liquidity and availability of resources; and requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature. The adoption of this ASU had a significant impact on the presentation of WMPG-FM's financial statements and the amendments in this ASU were applied on a retrospective basis.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets, support, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of WMPG-FM, and changes therein, are classified and reported as follows:

Net Assets with Donor Restrictions

Net assets subject to donor-imposed restrictions that may/will be met, either by actions of WMPG-FM and/or the passage of time, or that net assets be maintained permanently by WMPG-FM. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions.

Cash and Equivalents

Cash and equivalents include cash in banks and all highly liquid investments with original maturities of three months or less at the time of purchase. WMPG-FM maintains its cash balances in three financial institutions, one of which is a credit union. All cash accounts are insured by either the Federal Deposit Insurance Corporation ("FDIC") or the National Credit Union Administration ("NCUA") up to \$250,000 per account holder. At times, WMPG-FM's account balances may exceed this limit.

WMPG-FM
NOTES TO THE FINANCIAL STATEMENTS
for the years ended June 30, 2019 and 2018
(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Cash and Equivalents (continued)

WMPG-FM has not experienced any losses to date on its invested cash and management believes it is not exposed to any significant risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount that WMPG-FM expects to collect on balances outstanding at the end of the period. Management closely monitors outstanding balances and writes off or reserves against any accounts deemed to have collection risks.

Property and Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged against operations in the year they are incurred. Renewals and betterments that materially extend the life of the assets are capitalized. Donated property and equipment is recorded as support at the fair value at the date of donation. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss on disposal is included in the results of operations.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as described below:

	<u>Estimated Useful Lives</u>
Computers and software	3 – 5 years
Furniture and fixtures	5 – 15 years
Digital communications equipment	5 – 15 years
Other equipment	5 – 7 years

Depreciation expense for the years ended June 30, 2019 and 2018 was \$10,914 and \$9,881, respectively.

Measure of Operations

In its statements of activities, WMPG-FM includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Non-operating support and revenues include such items as interest and gains and losses on disposal of property and equipment.

Revenue Recognition

Contributions received are recorded as unrestricted or restricted support, depending on the existence of any donor restrictions, when a binding commitment has been made by the donors. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, restricted by the donor in perpetuity, or restricted for specific purposes are reported as an increase in net assets with donor restrictions. When a donor restriction expires (i.e. when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Support and Revenue

The University collects student fees on behalf of the University of Southern Maine Student Senate ("USM SS"). These fees are remitted to the USM SS which is responsible for allocating the total revenue based on budget requests from the various student groups of which WMPG-FM is one. Certain funds are transferred between the student groups through formal proposals based on the needs and the activities of each group. If any group has unexpended money at the end of the year, such monies are not carried over to the subsequent period unless approved by the USM SS.

WMPG-FM
NOTES TO THE FINANCIAL STATEMENTS
for the years ended June 30, 2019 and 2018
(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Pledges and Contributions

WMPG-FM engages in periodic fundraising campaigns manifested by offering some special radio programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and WMPG-FMs, to provide financial contributions to WMPG-FM for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners.

Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors. No allowance for uncollectible contributions receivable is provided as WMPG-FM management has elected to write off all unpaid pledges as of the end of the fiscal year. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of WMPG-FM. This usage is consistent with appeals for contributions and pledges.

In-kind Contributions

Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. WMPG-FM reports gifts of equipment, professional services, materials and other nonmonetary contributions as unrestricted revenue in the accompanying statements of activities. For the years ended June 30, 2019 and 2018, WMPG-FM recognized contributed services associated with on-air production and website maintenance totaling \$25,756 and \$21,455, respectively.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

Grants

Certain grants are restricted for the purchase of equipment and for the payment of certain operational expenses. When WMPG-FM is notified as a recipient of these grants, the amounts are included as grant revenue with donor restrictions in the accompanying statements of activities until satisfaction of the time and purpose restrictions, after which they are reported as a release from net assets with donor restrictions and an increase in net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Functional Allocation of Expenses

Expenses are presented by both their nature and function in the statements of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function and, thus, require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, which is based on the primary use of the assets. Salaries and wages, employee benefits, payroll taxes are allocated on the basis of estimates of time and effort. All other expenses are allocated based on the actual expenditures incurred by related programs and departments.

Income Taxes

The USM SS, which governs WMPG-FM, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the USM SS has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(2) of the Internal Revenue Code.

WMPG-FM
NOTES TO THE FINANCIAL STATEMENTS
for the years ended June 30, 2019 and 2018
(See Independent Auditor's Report)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Income Taxes (continued)

Management has evaluated the USM SS's tax positions and concluded that as of June 30, 2019 and 2018 it does not believe that the USM SS has taken any tax positions that would require adjustments to the financial statements. As of June 30, 2019, the USM SS was open to audit under the statute of limitations by the Internal Revenue Service for the years ended June 30, 2016 through 2019.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses for the years ended June 30, 2019 and 2018 were \$0 and \$9,210, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Accordingly, actual results could differ from those estimates.

2. RESTATEMENTS:

Due to the adoption of the ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (see Note 1), which requires the amendments to be applied on a retrospective basis, the prior year financial statements have been restated to conform to the new presentation and disclosure requirements. There is no effect on the total change in net assets.

3. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes for each reporting period:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purposes:		
Restricted to Supporting Production Operations	\$ 12,500	\$ 10,000
Restricted to Purchasing Production Equipment	7,212	7,212
Restricted to Blunt Youth Radio Operations	5,650	6,150
Total	<u>\$ 25,362</u>	<u>\$ 23,362</u>

4. NET ASSETS RELEASED FROM DONOR RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished:		
Restricted to Purchasing Production Equipment	\$ 2,920	\$ 12,365
Restricted to Nationwide Distribution of Programming	19,185	18,839
Total restrictions released	<u>\$ 22,105</u>	<u>\$ 31,204</u>

WMPG-FM
NOTES TO THE FINANCIAL STATEMENTS
for the years ended June 30, 2019 and 2018
(See Independent Auditor's Report)

5. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects WMPG-FM's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position dates.

	<u>2019</u>	<u>2018</u>
Financial assets, at year-end	\$ 503,271	\$ 516,005
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Management designated investments	26,884	-
Restricted by donors with time or purpose restrictions	<u>25,362</u>	<u>23,362</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 451,025</u>	<u>\$ 492,643</u>

Because WMPG-FM is supported by restricted grants that require resources to be used in a particular manner or in a future period, it must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of WMPG-FM's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

6. INVESTMENTS:

Investments are carried at fair value, and realized and unrealized gains and losses, and investment income are reflected in the statements of activities.

Investments were composed of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Equity Funds	\$ 16,497	\$ -
Cash and Money Market Funds	364	-
Exchange Traded Funds	<u>10,023</u>	<u>-</u>
Total	<u>\$ 26,884</u>	<u>\$ -</u>

Investment activity is reflected in the following table for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Investments at beginning of year	\$ -	\$ -
Funds invested during the year	25,000	
Dividends and interest, net of fees	909	-
Realized and unrealized gains (losses)	<u>975</u>	<u>-</u>
Total return on investments	1,884	-
Amounts appropriated for current operations	<u>-</u>	<u>-</u>
Investments at end of year	<u>\$ 26,884</u>	<u>\$ -</u>

WMPG-FM invests in various investment securities and money market funds. Due to the level of risk associated with investments, it is reasonably possible that changes in the value will occur in the near term and that such changes could materially affect the amount reported in the statements of financial position.

WMPG-FM
NOTES TO THE FINANCIAL STATEMENTS
for the years ended June 30, 2019 and 2018
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7. FAIR VALUE MEASUREMENTS:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the WMPG-FM uses various methods including market, income and cost approaches. Based on these approaches, the WMPG-FM often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The WMPG-FM utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the WMPG-FM is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In determining the appropriate levels, the WMPG-FM performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the years ended June 30, 2019 and 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Fair values of assets measured on a recurring basis are as follows:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
June 30, 2019				
Investments	\$ 26,884	\$ 26,884	\$ -	\$ -
	<u>\$ 26,884</u>	<u>\$ 26,884</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2018				
Investments	\$ -	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WMPG-FM
NOTES TO THE FINANCIAL STATEMENTS
for the years ended June 30, 2019 and 2018
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7. FAIR VALUE MEASUREMENTS: (CONTINUED)

There were no transfers between the levels in the fair value hierarchy during the years ended June 30, 2019 and 2018.

The carrying amounts of cash and equivalents, accounts receivables, pledges receivable, note receivable, inventory, prepaid expenses, restricted endowment – cash, line of credit, notes payable, accounts payable, accrued expenses, deferred revenue, and private unfunded pension approximate fair value.

8. RELATED PARTY TRANSACTIONS:

WMPG-FM is governed by the WMPG-FM Board of Directors as well as the Student Communications Board of the USM SS. Through the USM SS, WMPG-FM receives contributions from the University related to the student activity fees which are collected by the University.

The University also provides WMPG-FM with rent-free office space located at 92 Bedford Street in Portland, ME as well as other free-of-charge services including janitorial, security, and utilities. The University has determined the estimated fair value of these facilities and services to be \$206,450 and \$174,316 during the fiscal years 2019 and 2018, respectively. These amounts have not been recorded in the statements of activities for either year.

The employees of WMPG-FM are actually employees of the University which are leased by WMPG-FM through the USM SS. The University charges the USM SS the actual cost of employment and benefits for the employees.

9. SUBSEQUENT EVENTS:

WMPG-FM has evaluated subsequent events through October 27, 2020, the date the financial statements were available to be issued.

Subsequent to year end, a novel coronavirus (COVID-19) has emerged and is still spreading globally. Management expects to see a decline and/or delay in advertising revenues and donations due to financial hardship. However, it is challenging to predict the extent WMPG-FM will be affected because it isn't clear how widespread the virus will become or how long it will take to contain. Thus, management is unable to quantify the impact of the outbreak of the coronavirus pandemic on its operations.