

WMPG-FM

**Financial Statements
for the years ended June 30, 2017 and 2016 as Restated**

(See Independent Auditor's Report)

M^cLeod | Ascanio

Certified Public Accountants

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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 organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets 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, 2017 and 2016, 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.

Our previous report, dated February 6, 2017, on the financial statements as of, and for the year ending, June 30, 2016 has been withdrawn and the financial statements have been restated as described in Note 2.



Portland, Maine
December 19, 2017

WMPG-FM
STATEMENTS OF FINANCIAL POSITION
as of June 30, 2017 and 2016
See Independent Auditor's Report

	2017	Restated (Note 2) 2016
<u>ASSETS</u>		
Current assets:		
Cash and equivalents	\$ 480,733	\$ 316,385
Accounts receivable, net of allowance for doubtful accounts of \$1,197 in both 2017 and 2016	1,141	1,840
Prepaid expenses	7,779	8,165
Total current assets	489,653	326,390
Property and equipment:		
Computers and software	29,881	29,881
Furniture and fixtures	6,906	6,906
Digital communications equipment	82,792	82,792
Other equipment	63,567	63,567
	183,146	183,146
Less: Accumulated depreciation	(157,794)	(148,538)
Website, net of amortization	6,994	9,325
Property and equipment, net	32,346	43,933
Total assets	\$ 521,999	\$ 370,323
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 35	\$ -
Total liabilities	35	-
Net assets:		
Unrestricted	490,904	342,491
Temporarily restricted	31,060	27,832
Total net assets	521,964	370,323
Total liabilities and net assets	\$ 521,999	\$ 370,323

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

WMPG-FM
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
for the years ended June 30, 2017 and 2016
See Independent Auditor's Report

	2017	Restated (Note 2) 2016
Changes in unrestricted net assets:		
Support:		
University allocation of student fee	\$ 60,427	\$ 65,130
Grants	72,313	72,320
Special appropriation (Note 6)	125,900	-
Total support	258,640	137,450
Revenues:		
Fundraising	132,834	138,303
Advertising and underwriting	44,677	36,146
In-kind contributions	17,922	26,911
Interest income	271	360
Miscellaneous	550	1,375
Total revenues	196,254	203,095
Net assets released from restriction	5,342	2,291
Total support and revenues	460,236	342,836
Direct program expenses:		
Salaries, wages and benefits	178,940	179,337
Professional fees	23,278	27,006
Rental fees	25,792	29,968
Licenses, fees and subscriptions	10,935	16,075
Production, promotions and special events	23,978	18,655
Advertising	11,025	10,585
Telephone and internet	7,258	4,827
Depreciation expense	11,587	10,822
Office supplies and expenses	6,711	11,059
Utilities	2,208	4,340
Repairs and maintenance	5,672	2,500
Insurance	1,227	2,188
Small equipment	3,212	2,487
Total direct program expenses:	311,823	319,849
Increase in unrestricted net assets	148,413	22,987
Changes in temporarily restricted net assets:		
Grants	8,570	3,680
Net assets released from restrictions	(5,342)	(2,291)
Increase in temporarily restricted net assets	3,228	1,389
Increase in net assets	151,641	24,376
Net assets, beginning of year	370,323	345,947
Net assets, end of year	\$ 521,964	\$ 370,323

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

WMPG-FM
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2017 and 2016
See Independent Auditor's Report

	<u>2017</u>	Restated <i>(Note 2)</i> <u>2016</u>
Cash flows from operating activities:		
Net increase in net assets	\$ 151,641	\$ 24,376
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization expense	11,587	10,822
(Increase) decrease in:		
Accounts receivable	699	(43)
Prepaid expenses	386	153
Increase (decrease) in:		
Accounts payable	<u>35</u>	<u>(200)</u>
Total cash flows provided by operating activities	164,348	35,108
Cash flows from investing activities:		
Purchases of property and equipment	<u>-</u>	<u>(9,017)</u>
Total cash flows utilized in investing activities	<u>-</u>	<u>(9,017)</u>
Increase in cash and equivalents during the year	164,348	26,091
Cash and equivalents, beginning of period	<u>316,385</u>	<u>290,294</u>
Cash and equivalents, end of period	<u><u>\$ 480,733</u></u>	<u><u>\$ 316,385</u></u>

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

WMPG-FM
NOTES TO THE FINANCIAL STATEMENTS
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.

Basis of Presentation

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

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

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 area banks. All cash accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per account holder. At times, WMPG-FM's account balances may exceed this limit. 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	15 years
Other equipment	5 – 7 years

Depreciation expense for the years ended June 30, 2017 and 2016 was \$9,256 and \$8,491, respectively.

WMPG-FM

NOTES TO THE FINANCIAL STATEMENTS

See Independent Auditor's Report

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Revenue recognition

Contributions and support received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of the donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted assets are reclassified to unrestricted assets.

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.

Pledges and Contributions

WMPG-FM engages in periodic fundraising campaigns manifested by offering special radio programs as well as mail and on-air fundraising appeals. These appeals encourage supporters, both individuals and organizations, 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.

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 temporarily restricted grant revenue in the accompanying statements of activities until satisfaction of the time and purpose restrictions, after which they are reported as a release from temporarily restricted net assets and an increase in unrestricted net assets.

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
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, 2017 and 2016 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, 2017, the USM SS was open to audit under the statute of limitations by the Internal Revenue Service for the years ended June 30, 2014 through 2017.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses for the years ended June 30, 2017 and 2016 were \$11,025 and \$10,585, 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. RESTATEMENT OF FINANCIAL RESULTS:

WMPG-FM has restated its previously issued financial statements as of, and for the year ended, June 30, 2016 for an error identified. The error was the result of an overstatement in the accumulated depreciation on property and equipment, which also resulted in an overstatement of cash and equivalents on the statement of financial position and equipment purchases on the statement of cash flows. Below is a summary of the changes to the previously issued financial statements.

	<u>Original</u> <u>2016</u>	<u>Restated</u> <u>2016</u>	<u>Difference</u>
Statement of Financial Position			
Cash and equivalents	318,716	316,385	(2,331)
Accumulated depreciation	(150,869)	(148,538)	2,331
Statement of Cash Flows			
Purchases of property and equipment	(6,686)	(9,017)	(2,331)
Cash and equivalents, end of period	318,716	316,385	2,331

3. TEMPORARILY RESTRICTED ASSETS:

As of June 30, 2017 and 2016, all temporarily restricted assets related to grant funding for various programming activities which were still ongoing as of the fiscal year ends.

4. RELATED PARTY TRANSACTIONS:

WMPG-FM is governed by the WMPG 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 \$165,817 and \$159,272 during the fiscal years 2017 and 2016, respectively. These amounts have not been recorded in the statements of activities for either year.

WMPG-FM

NOTES TO THE FINANCIAL STATEMENTS

See Independent Auditor's Report

4. RELATED PARTY TRANSACTIONS (continued):

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.

5. FUNDRAISING COSTS:

WMPG-FM engages in various fundraising activities to help support its programming. Costs associated with these activities are expensed as incurred. These expenditures totaled \$13,315 and \$14,801 in fiscal years 2017 and 2016, respectively.

6. SPECIAL APPROPRIATION:

During the 2017 fiscal year, the station manager for WMPG-FM helped the University of Maine System negotiate and sell one of its translator frequencies to an unrelated party. In recognition for his efforts in effecting the sale, the University of Maine System agreed to appropriate a portion of the net proceeds to WMPG-FM. This appropriation is to be used at the discretion of WMPG-FM to address station needs.

7. SUBSEQUENT EVENTS:

WMPG-FM has evaluated subsequent events through December 19, 2017, the date which the financial statements were available to be issued.