

WMPG-FM

Independent Auditors' Report
And
Financial Statements

For the years ended June 30, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013, 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.

McLead/Ascanio

February 27, 2015
Portland, ME

WMPG-FM
STATEMENTS OF FINANCIAL POSITION
as of June 30, 2014 and 2013

ASSETS

	2014	2013
Current assets		
Cash and cash equivalents	\$ 243,649	\$ 189,156
Accounts receivable, net of allowance for doubtful accounts of \$1,217 in 2014 and \$1,320 in 2013	2,089	1,643
Prepaid expenses	5,990	6,610
Total current assets	251,728	197,409
Property and equipment		
Computers and software	32,132	32,132
Furniture and fixtures	6,906	6,906
Digital communications equipment	118,032	118,032
Other equipment	64,470	64,470
	221,540	221,540
Less: Accumulated depreciation	(181,481)	(174,040)
Property and equipment, net	40,059	47,500
Total assets	\$ 291,787	\$ 244,909

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 1,287	\$ -
Total liabilities	1,287	-
Unrestricted net assets	270,120	230,154
Temporarily restricted net assets	20,380	14,755
Total net assets	290,500	244,909
Total liabilities and net assets	\$ 291,787	\$ 244,909

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, 2014 and 2013

	2014	2013
Changes in unrestricted net assets		
Support		
University allocation of student fee	\$ 71,557	\$ 81,747
Grants	71,514	68,480
	143,071	150,227
Revenues		
Underwriting	44,891	40,399
Fundraising	140,880	114,811
Interest income	348	319
In-kind donations	10,487	-
Miscellaneous	1,572	1,025
	198,178	156,554
Net assets released from restriction	1,050	10,675
Total support and revenues	342,299	317,456
Direct program expenses		
Salaries, wages and benefits	179,140	175,914
Professional fees	25,779	22,699
Rental fees	28,143	11,910
Licenses, fees and subscriptions	11,612	14,583
Production, promotions and special events	12,103	19,548
Advertising	10,660	11,084
Telephone and internet	9,097	9,434
Depreciation expense	7,441	7,411
Office supplies and expenses	7,407	8,111
Conference and travel expenses	3,605	4,525
Utilities	4,587	1,857
Insurance	2,080	2,167
Small equipment	679	988
	302,333	290,231
Increase in unrestricted net assets	39,966	27,225
Changes in temporarily restricted net assets		
Grants	6,675	16,560
Net assets released from restrictions	(1,050)	(10,675)
Increase in temporarily restricted net assets	5,625	5,885
Decrease in net assets	45,591	33,110
Net assets, beginning of year	244,909	211,799
Net assets, end of year	\$ 290,500	\$ 244,909

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

WMPG-FM
STATEMENTS OF CASH FLOWS
for the year ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Net increase in net assets	\$ 45,591	\$ 33,110
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation expense	7,441	7,411
(Increase) decrease in:		
Accounts receivable	(446)	2,375
Prepaid expenses	620	(3,841)
Increase (decrease) in:		
Accounts payable	1,287	(2,040)
Accrued liabilities	-	(156)
	<u>54,493</u>	<u>36,859</u>
 Cash flows from investing activities:		
Purchases of property and equipment	<u>-</u>	<u>(1,775)</u>
 Total cash flows utilized in investing activities	<u>-</u>	<u>(1,775)</u>
 Increase in cash during the year	54,493	35,084
 Cash, beginning of period	<u>189,156</u>	<u>154,072</u>
 Cash, end of period	<u>\$ 243,649</u>	<u>\$ 189,156</u>

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

WMPG-FM
NOTES TO THE FINANCIAL STATEMENTS

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

Financial statements presentation follows the recommendations of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, WMPG-FM is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

WMPG-FM considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable is recorded 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.

Depreciation is computed for financial statement purposes on a straight-line basis over the estimated useful lives of the related assets. The estimated useful lives of depreciable assets are:

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

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.

WMPG-FM
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 statement 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 statement 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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. Changes in such estimates may affect the amounts reported in future periods.

2. CASH:

The USM SS maintains 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 or the National Credit Union Administration up to \$250,000 per account holder. As of June 30, 2014, the USM SS had one account with a balance in excess of the insured amount by approximately \$92,000. The same account had approximately \$34,000 of uninsured exposure as of June 30, 2013. The USM SS has not experienced any losses in this or any other account during the reporting cycles.

3. TEMPORARILY RESTRICTED ASSETS:

As of June 30, 2014 and 2013, 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 \$157,763 and \$158,542 during the fiscal years 2013 and 2012, 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.

5. PROPERTY AND EQUIPMENT:

Depreciation expense for the year ended June 30, 2014 and 2013 was \$7,441 and \$7,411, respectively.

6. 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 \$11,930 and \$16,886 and in fiscal years 2014 and 2013, respectively.

7. SUBSEQUENT EVENTS:

WMPG-FM has evaluated subsequent events through February 27, 2015, the date which the financial statements were available to be issued.