

*Financial Statements*

# **WMPG-FM**

**Independent Auditor's Report and Financial Statements**  
for the years ended June 30, 2011 and 2010

# M<sup>c</sup>Leod | Ascanio

Certified Public Accountants

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Managing Principal

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Sally Horton  
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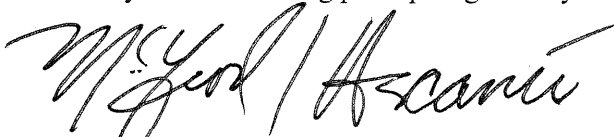
## Independent Auditor's Report

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

We have audited the accompanying statements of financial position of the WMPG-FM as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of WMPG-FM's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the WMPG-FM as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



January 23, 2012  
Portland, ME

WMPG-FM  
 STATEMENTS OF FINANCIAL POSITION  
 as of June 30, 2011 and 2010

	2011	2010
<b><u>ASSETS</u></b>		
Current assets		
Cash and cash equivalents	\$ 67,208	\$ 17,895
Restricted cash (Note 7)	43,573	33,356
Accounts receivable, net of allowance for doubtful accounts of \$1,320 and \$2,593 in 2011 and 2010, respectively	2,081	3,386
Grants receivable	-	5,375
Prepaid expenses	1,934	3,285
Total current assets	114,796	63,297
Property and equipment		
Computers and software	30,357	30,357
Furniture and fixtures	6,906	6,906
Digital communications equipment	112,434	112,434
Other equipment	64,470	64,470
	214,167	214,167
Less: Accumulated depreciation	(158,947)	(148,828)
Property and equipment, net	55,220	65,339
Total assets	\$ 170,016	\$ 128,636
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities		
Accounts payable	\$ -	\$ 2,216
Deferred income	789	-
Funds held for others (Note 7)	43,573	33,356
Total liabilities	44,362	35,572
Unrestricted net assets	114,677	84,213
Temporarily restricted net assets	10,977	8,851
Total net assets	125,654	93,064
Total liabilities and net assets	\$ 170,016	\$ 128,636

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, 2011 and 2010

	2011	2010
Changes in unrestricted net assets		
Support		
University allocation of student fee	\$ 85,976	\$ 82,987
Grants	82,793	92,804
	168,769	175,791
Revenues		
Underwriting	49,693	33,596
Fundraising	98,737	84,244
In-kind contributions	-	4,651
Interest income	405	495
Miscellaneous	2,361	1,993
	151,196	124,979
Net assets released from restriction	21,483	20,783
Total support and revenues	341,448	321,553
Direct program expenses		
Salaries and wages	194,477	222,160
Professional fees	33,364	34,752
Office supplies and expenses	5,121	8,529
Promotions and special events	12,502	16,326
Depreciation expense	10,119	10,945
Travel expenses	-	287
Rental fees	9,213	12,575
Licenses, fees and subscriptions	11,537	12,222
Small equipment	6,520	2,454
Telephone and internet	8,758	10,603
Advertising	19,281	11,714
Repairs and maintenance	-	1,031
Miscellaneous	92	912
	310,984	344,510
Decrease in unrestricted net assets	30,464	(22,957)
Changes in temporarily restricted net assets		
Grants	23,609	23,625
Net assets released from restrictions	(21,483)	(20,783)
Increase (decrease) in temporarily restricted net assets	2,126	2,842
Decrease in net assets	32,590	(20,115)
Net assets, beginning of year	93,064	113,179
Net assets, end of year	\$ 125,654	\$ 93,064

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

WMPG-FM  
 STATEMENTS OF CASH FLOWS  
 for the year ended June 30, 2011 and 2010

	<b>2011</b>	<b>2010</b>
Cash flows from operating activities:		
Net increase (decrease) in net assets	\$ 32,590	\$ (20,115)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation expense	10,119	10,982
(Increase) decrease in:		
Accounts receivable	1,305	1,472
Prepaid expenses	1,351	879
Grants receivable	5,375	(2,000)
Increase (decrease) in:		
Accounts payable	(2,216)	2,216
Deferred income	789	-
Funds held for others	10,217	33,356
 Total cash flows provided by operating activities	 59,530	 26,790
 Increase in cash during the year	 59,530	 26,790
 Cash, beginning of period	 51,251	 24,461
 Cash, end of period	 \$ 110,781	 \$ 51,251

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

WMPG-FM  
NOTES TO THE FINANCIAL STATEMENTS

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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

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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

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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:

All cash accounts of WMPG-FM are held by the USM SS which 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 of the National Credit Union Administration up to \$250,000 per account holder. As of June 30, 2011 and 2010, WMPG-FM had no uninsured exposure.

3. TEMPORARILY RESTRICTED ASSETS:

As of June 30, 2011 and 2010, 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 \$166,012 and \$156,577 during the fiscal years 2011 and 2010, 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, 2011 and 2010 was \$10,119 and \$10,982, respectively.

6. FUNDRAISING COSTS:

WMPG-FM engages in various fundraising activities to help support its programming which are expensed as incurred. These expenditures totaled \$15,923 and \$17,365 in fiscal years 2011 and 2010, respectively.

7. FUNDS HELD FOR OTHERS:

During fiscal year 2010, WMPG began a drive to raise funds for a new transmission tower to expand the reach of the station. Initially the plan was for WMPG to raise enough money from donors to acquire and install the transmitter; however, during the course of the project research, federal grant funds were identified as a potential source of funding.



WMPG-FM  
NOTES TO THE FINANCIAL STATEMENTS

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7. FUNDS HELD FOR OTHERS (CONTINUED):

Working with the University of Maine System, which owns the license for the station, WMPG was able to secure the grant funding for the project. The grant called for matching funds to be secured by the recipient, in this case the University of Maine System since it owns the license, totaling \$42,682. WMPG has agreed to provide the matching funds from fund raising activities which are being set aside in a separate account and are presented as "Restricted cash" and "Funds held for others" on the accompanying balance sheet.

8. SUBSEQUENT EVENTS:

WMPG-FM has evaluated subsequent events through January 20, 2012, the date which the financial statements were available to be issued.