

WMPG-FM

Independent Auditors' Report
And
Financial Statements

For the years ended June 30, 2012 and 2011

M^cLeod | Ascanio

Certified Public Accountants

Scott A. M^cLeod
Managing Principal

James Ascanio
Managing Principal

Sally Horton
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 statements of financial position of the WMPG-FM as of June 30, 2012 and 2011, 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, 2012 and 2011, 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 28, 2013
Portland, ME

WMPG-FM
STATEMENTS OF FINANCIAL POSITION
as of June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 154,072	\$ 67,208
Restricted cash (Note 7)	-	43,573
Accounts receivable, net of allowance for doubtful accounts of \$1,320 in 2012 and 2011, respectively	4,018	2,081
Prepaid expenses	<u>2,769</u>	<u>1,934</u>
Total current assets	160,859	114,796
Property and equipment		
Computers and software	30,357	30,357
Furniture and fixtures	6,906	6,906
Digital communications equipment	118,032	112,434
Other equipment	<u>64,470</u>	<u>64,470</u>
	219,765	214,167
Less: Accumulated depreciation	<u>(166,629)</u>	<u>(158,947)</u>
Property and equipment, net	<u>53,136</u>	<u>55,220</u>
Total assets	<u><u>\$ 213,995</u></u>	<u><u>\$ 170,016</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 2,040	\$ -
Deferred income	156	789
Funds held for others (Note 7)	<u>-</u>	<u>43,573</u>
Total liabilities	2,196	44,362
Unrestricted net assets	202,929	114,677
Temporarily restricted net assets	<u>8,870</u>	<u>10,977</u>
Total net assets	<u>211,799</u>	<u>125,654</u>
Total liabilities and net assets	<u><u>\$ 213,995</u></u>	<u><u>\$ 170,016</u></u>

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Changes in unrestricted net assets		
Support		
University allocation of student fee	\$ 84,561	\$ 85,976
Grants	86,159	82,793
	<u>170,720</u>	<u>168,769</u>
Revenues		
Underwriting	46,302	49,693
Fundraising	135,993	98,737
Interest income	193	405
Miscellaneous	1,060	2,361
	<u>183,548</u>	<u>151,196</u>
Net assets released from restriction	<u>12,107</u>	<u>21,483</u>
Total support and revenues	366,375	341,448
Direct program expenses		
Salaries and wages	164,546	194,477
Professional fees	25,695	33,364
Office supplies and expenses	7,867	5,121
Promotions and special events	14,337	12,502
Depreciation expense	7,682	10,119
Travel expenses	1,738	-
Rental fees	16,416	9,213
Licenses, fees and subscriptions	15,380	11,537
Small equipment	3,760	6,520
Telephone and internet	8,446	8,758
Utilities	2,263	-
Advertising	8,468	19,281
Repairs and maintenance	1,000	-
Miscellaneous	525	92
	<u>278,123</u>	<u>310,984</u>
Increase in unrestricted net assets	88,252	30,464
Changes in temporarily restricted net assets		
Grants	10,000	23,609
Net assets released from restrictions	<u>(12,107)</u>	<u>(21,483)</u>
(Decrease) increase in temporarily restricted net assets	<u>(2,107)</u>	<u>2,126</u>
Increase in net assets	86,145	32,590
Net assets, beginning of year	<u>125,654</u>	<u>93,064</u>
Net assets, end of year	<u><u>\$ 211,799</u></u>	<u><u>\$ 125,654</u></u>

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

WMPG-FM
STATEMENTS OF CASH FLOWS
for the year ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net increase (decrease) in net assets	\$ 86,145	\$ 32,590
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation expense	7,682	10,119
(Increase) decrease in:		
Accounts receivable	(1,937)	1,305
Prepaid expenses	(835)	1,351
Grants receivable	-	5,375
Increase (decrease) in:		
Accounts payable	2,040	(2,216)
Deferred income	(633)	789
Funds held for others	<u>(43,573)</u>	<u>10,217</u>
Total cash flows provided by operating activities	<u>48,889</u>	<u>59,530</u>
Increase in cash during the year	43,291	59,530
Cash, beginning of period	<u>110,781</u>	<u>51,251</u>
Cash, end of period	<u><u>\$ 154,072</u></u>	<u><u>\$ 110,781</u></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:

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, 2012 and 2011, WMPG-FM had no uninsured exposure.

3. TEMPORARILY RESTRICTED ASSETS:

As of June 30, 2012 and 2011, 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 \$146,800 and \$166,012 during the fiscal years 2012 and 2011, 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, 2012 and 2011 was \$7,862 and \$10,119, 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 \$12,872 and \$15,923 in fiscal years 2012 and 2011, 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

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.

The project was completed in the fall of 2011 at which point the required matching funds were offset towards the acquisition costs of the new transmitter. All funds in excess of the required matching were recorded as donations and will be used to defer the costs of maintaining the transmitter in the future including rent, electricity and insurance.

8. SUBSEQUENT EVENTS:

WMPG-FM has evaluated subsequent events through January 28, 2013, the date which the financial statements were available to be issued.