

**WESTERN NORTH CAROLINA
PUBLIC RADIO, INC.**

Asheville, North Carolina

Financial Statements and
Supplementary Information

Year Ended September 30, 2015

WESTERN NORTH CAROLINA PUBLIC RADIO, INC.

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WESTERN NORTH CAROLINA PUBLIC RADIO, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Western North Carolina Public Radio, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Western North Carolina Public Radio, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

To the Board of Directors
Western North Carolina Public Radio, Inc.
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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 Western North Carolina Public Radio, Inc. as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Western North Carolina Public Radio, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 25, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CARTER, P.C.

Asheville, North Carolina
February 4, 2016

WESTERN NORTH CAROLINA PUBLIC RADIO, INC.

Statement of Financial Position
September 30, 2015
(With Comparative Totals for 2014)

	2015	2014
Assets		
Current assets:		
Cash and equivalents	\$ 1,041,301	\$ 139,908
Underwriting grants receivable, net	208,909	205,501
Promises to give, net	152,906	101,505
Other receivables	6,138	2,008
Prepaid expenses	27,712	24,620
Real estate held for sale		197,994
Total current assets	1,436,966	671,536
Property and equipment	407,376	1,817,025
Intangible assets	129,122	129,122
Beneficial interest in an endowment	270,556	283,479
Total assets	\$ 2,244,020	\$ 2,901,162
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt	\$ 12,870	\$ 64,441
Accounts payable and accrued expenses	16,677	113,907
Accrued compensated absences	31,155	44,190
Total current liabilities	60,702	222,538
Long-term debt, less current maturities	53,838	822,339
Total liabilities	114,540	1,044,877
Net assets:		
Unrestricted:		
Undesignated	180,200	1,484
Board designated reserves	927,003	79,365
Board designated project funds	14,588	14,588
Board designated endowment funds	270,556	283,479
Investment in real estate held for sale		197,994
Investment in property and equipment	375,318	972,369
Total unrestricted net assets	1,767,665	1,549,279
Temporarily restricted	361,815	307,006
Total net assets	2,129,480	1,856,285
Total liabilities and net assets	\$ 2,244,020	\$ 2,901,162

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

WESTERN NORTH CAROLINA PUBLIC RADIO, INC.

Statement of Activities
Year Ended September 30, 2015
(With Comparative Totals for 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>	<u>Total 2014</u>
Revenues and other support				
Listener support	\$ 1,035,136	\$ 208,909	\$ 1,244,045	\$ 1,090,183
Business/corporate support	406,198	152,906	559,104	496,678
CPB grants	179,250		179,250	149,085
Other operating grants	34,845		34,845	39,860
Rent	50,016		50,016	36,801
In-kind contributions	89,268		89,268	80,896
Other income	134,446		134,446	5,600
Net assets released from restrictions	<u>307,006</u>	<u>(307,006)</u>		
Total revenues and other support	<u>2,236,165</u>	<u>54,809</u>	<u>2,290,974</u>	<u>1,899,103</u>
Expenses				
Program services:				
Programming and production	860,688		860,688	868,677
Engineering and broadcasting	269,078		269,078	204,080
Digital media	<u>17,362</u>		<u>17,362</u>	<u>13,271</u>
Total program services	<u>1,147,128</u>		<u>1,147,128</u>	<u>1,086,028</u>
Supporting services:				
General and administration	243,503		243,503	290,095
Promotion and development	<u>567,929</u>		<u>567,929</u>	<u>506,257</u>
Total supporting services	<u>811,432</u>		<u>811,432</u>	<u>796,352</u>
Provision for bad debts	<u>48,917</u>		<u>48,917</u>	<u>51,058</u>
Total expenses	<u>2,007,477</u>		<u>2,007,477</u>	<u>1,933,438</u>
Increase (decrease) in net assets before other gains (losses)	<u>228,688</u>	<u>54,809</u>	<u>283,497</u>	<u>(34,335)</u>
Other gains (losses)				
Investment income	3,234		3,234	3,242
Impairment loss on assets				(567,391)
Net gains (losses) on beneficial interest in an endowment	<u>(13,536)</u>		<u>(13,536)</u>	<u>20,201</u>
Total other gains (losses)	<u>(10,302)</u>		<u>(10,302)</u>	<u>(543,948)</u>
Increase (decrease) in net assets	218,386	54,809	273,195	(578,283)
Net assets at beginning of year	<u>1,549,279</u>	<u>307,006</u>	<u>1,856,285</u>	<u>2,434,568</u>
Net assets at end of year	<u>\$ 1,767,665</u>	<u>\$ 361,815</u>	<u>\$ 2,129,480</u>	<u>\$ 1,856,285</u>

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

WESTERN NORTH CAROLINA PUBLIC RADIO, INC.

Statement of Cash Flows Year Ended September 30, 2015 (With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 273,195	\$ (578,283)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	60,564	119,890
Net (gains) losses on beneficial interest in an endowment	13,536	(20,201)
Impairment loss on assets		567,391
Receipt of donated stock	(2,968)	(2,240)
Underwriting credits toward note payable	(7,473)	(7,049)
Provision for bad debts	48,917	51,058
Changes in working capital - sources (uses):		
Underwriting grants receivable	(95,357)	(73,431)
Promises to give	(8,369)	(30,697)
Other receivables	(4,130)	6,440
Prepaid expenses	(3,092)	876
Accounts payable and accrued expenses	(97,230)	(3,673)
Accrued compensated absences	(13,035)	(4,662)
Net cash provided by operating activities	164,558	25,419
Cash flows from investing activities		
Proceeds from sale of donated stock	2,968	2,240
Proceeds from beneficial interest in an endowment		9,750
Proceeds from sale of property and equipment	763,422	
Purchase of property and equipment	(24,498)	(25,875)
Change in beneficial interest in an endowment	(613)	(733)
Net cash provided (used) by investing activities	741,279	(14,618)
Cash flows from financing activities		
Repayment of amounts borrowed	(4,444)	(44,420)
Net increase (decrease) in cash and equivalents	901,393	(33,619)
Cash and equivalents at beginning of year	139,908	173,527
Cash and equivalents at end of year	\$ 1,041,301	\$ 139,908

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

WESTERN NORTH CAROLINA PUBLIC RADIO, INC.

Statement of Cash Flows (continued)
Year Ended September 30, 2015
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
Schedule of non-cash investing and financing activities:		
Acquisition of long-term assets by issuing notes payable	<u>\$ 32,058</u>	<u>\$ 20,706</u>
Residual amounts of long-term assets used in reduction of notes payable	<u>\$ 13,110</u>	<u>\$</u>
Proceeds from real estate sale applied to notes payable	<u>\$ 827,551</u>	<u>\$</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 746</u>	<u>\$ 41,250</u>

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

WESTERN NORTH CAROLINA PUBLIC RADIO, INC.

Notes to Financial Statements
September 30, 2015

Note 1 - Summary of Significant Accounting Policies

Organization

Western North Carolina Public Radio, Inc. (Organization) is a nonprofit corporation dedicated to operating a community-based, fine arts public radio station with a commitment to the cultural well-being of Western North Carolina.

Tax-Exempt Status

The Organization is incorporated as a nonprofit corporation under the laws of the State of North Carolina. It has qualified for exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities, and is not a private foundation.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Organization reports in compliance with FASB ASC 958-205 *Not-for-Profit-Entities: Presentation of Financial Statements*. Information regarding its financial position and activities are grouped accordingly to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes of net assets are defined as follows:

- **Unrestricted Net Assets:** Unrestricted net assets represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired.
- **Temporarily Restricted Net Assets:** Temporarily restricted net assets represent resources whose use is limited by donors for the purpose and/or time in which they may be expended. Eventually, temporarily restricted net assets are reclassified to unrestricted as their time and purpose requirements are met.
- **Permanently Restricted Net Assets:** Permanently restricted net assets represent resources that must be maintained permanently. Like temporarily restricted net assets, permanent restrictions may be imposed only by the donor. However, permanently restricted net assets generally do not get reclassified, since, by definition, their restrictions never expire. The income may be unrestricted or may also be restricted according to donors' wishes.

Note 1 - Summary of Significant Accounting Policies (continued)

Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets, if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. 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.

Donated Goods and Services

Donated goods and materials are reflected as in-kind contributions in the accompanying financial statements at their estimated fair market value at date of receipt. The Organization regularly trades underwriting spots for goods and services. This underwriting is included in the Organization's in-kind contributions and is also added to the expenses to which it relates.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No amounts have been recorded in these financial statements for contributed services since the criteria for recognition were not met.

Cash and Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions on which they depend are substantially met. Unconditional promises to give are recorded at net realizable value, and are all due within one year. An allowance for doubtful accounts has been established for amounts deemed uncollectible. Management determines the valuation of the allowance for doubtful accounts based on their assessment of individual accounts.

Property and Equipment

The Organization capitalizes expenditures for property and equipment in excess of \$1,000 and an estimated useful life extending beyond one year. Property and equipment are carried at cost. Expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful life of assets are capitalized. Depreciation is computed using the straight-line method over a period of three to forty years.

Note 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Fair Value Measurements

The Organization's investments are reported at fair value in the accompanying statement of financial position. The method used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to measure the fair value of certain financial instruments could result in a different fair value measurement at the report date.

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

If an asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The fair value of substantially all reported assets and liabilities which represent financial instruments, none of which are held for trading purposes, approximate the carrying values of such amounts.

Advertising

Advertising costs are expensed as incurred. For the years ended September 30, 2015 and 2014, costs charged to expense were \$41,699 and \$50,589, respectively.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2014, from which the summarized information was derived.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

Allocated Expenses

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their nature and expenditure classification. Other expenses that are common to several functions are allocated by statistical means.

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

<u>At September 30</u>	<u>2015</u>	<u>2014</u>
Underwriting grants receivable	\$ 208,909	\$ 205,501
Promises to give	<u>152,906</u>	<u>101,505</u>
<u>Temporarily restricted net assets</u>	<u>\$ 361,815</u>	<u>\$ 307,006</u>

Note 3 - Underwriting Grants Receivable

Underwriting grants receivable represent uncollected, unconditional grants that the Organization has agreed to run on-air as public announcements on behalf of the grantor. Net underwriting grants receivable are shown as temporarily restricted net assets. Restrictions are considered to expire when payments are received.

Underwriting grants receivable are described as follows:

<u>At September 30</u>	<u>2015</u>	<u>2014</u>
Underwriting grants receivable	\$ 220,446	\$ 217,038
Less, allowance for uncollectibles	<u>11,537</u>	<u>11,537</u>
<u>Underwriting grants receivable, net</u>	<u>\$ 208,909</u>	<u>\$ 205,501</u>

Note 4 - Promises to Give

Promises to give include amounts due in the current year for on-air fundraisers. Promises to give are recorded at face amount less a provision for uncollectibles. Net promises to give are classified as temporarily restricted net assets. Restrictions are considered to expire when payments are received.

Promises to give are described as follows:

<u>At September 30</u>	<u>2015</u>	<u>2014</u>
Promises to give	\$ 158,458	\$ 104,777
Less, allowance for uncollectibles	<u>5,552</u>	<u>3,272</u>
<u>Promises to give, net</u>	<u>\$ 152,906</u>	<u>\$ 101,505</u>

Note 5 - Beneficial Interest in an Endowment

The Organization's beneficial interest in an endowment is presented in the financial statements in the aggregate at fair value. The investments are managed by the Community Foundation of Western North Carolina, Inc. (Foundation). These funds are invested in an allocated investment pool. Withdrawals from this account must be approved by the full board. The fund agreement grants variance power to the Foundation. This power allows the Board of Directors of the Foundation the ability to modify any condition or restrictions on distributions of funds, if such condition or restriction becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the area served by the Foundation.

The beneficial interest in an endowment is described as follows:

<u>At September 30</u>	<u>2015</u>	<u>2014</u>
Market	\$ 270,556	\$ 283,479
Cost	<u>61,196</u>	<u>55,251</u>
<u>Cumulative gains on beneficial interest in endowment</u>	<u>\$ 209,360</u>	<u>\$ 228,228</u>

The following tabulation summarizes the changes in unrealized appreciation (depreciation) of the beneficial interest in an endowment:

<u>Year Ended September 30</u>	<u>2015</u>	<u>2014</u>
Excess of market value over cost:		
Beginning of year	\$ 228,228	\$ 229,893
End of year	<u>209,360</u>	<u>228,228</u>
Unrealized losses	(18,868)	(1,665)
Realized gains	<u>5,332</u>	<u>21,866</u>
<u>Net gains (losses) on beneficial interest in endowment</u>	<u>\$ (13,536)</u>	<u>\$ 20,201</u>

Note 5 - Beneficial Interest in an Endowment (continued)

The Organization is also the specified beneficiary for an additional endowment fund (McGuire Endowment Fund) held by the Community Foundation of Western North Carolina, Inc. The fair value of the fund at September 30, 2015 and 2014, was \$422,049 and \$476,395, respectively. In accordance with FASB ASC 958-20 *Not-for-Profit-Entities: Financially Interrelated Entities* and FASB 958-605 *Revenue Recognition*, the balance of the McGuire Endowment Fund is not reflected in the Organization's financial records. For the years ended September 30, 2015 and 2014, the fund distributed grants to the Organization of approximately \$34,845 and \$39,860, respectively, which are reflected in the accompanying statement of activities.

Note 6 - Fair Value Measurement

The fair value of each financial instrument was measured using FASB ASC 820 input guidance and valuation techniques.

Due to the nature of the beneficial interest in an endowment held by a community foundation, the assets are considered level 3 instruments.

A reconciliation of changes in Level 3 inputs is as follows:

<u>Year Ended September 30</u>	<u>2015</u>	<u>2014</u>
Level 3 inputs, beginning of year	\$ 283,479	\$ 272,295
Investment income	3,192	3,194
Net gains (losses)	(13,536)	20,201
Management fees	(2,569)	(2,461)
Distributions	<u> </u>	<u>(9,750)</u>
<u>Level 3 inputs, end of year</u>	<u>\$ 270,556</u>	<u>\$ 283,479</u>

Note 7 - Property and Equipment

A description of property and equipment is as follows:

<u>At September 30</u>	<u>2015</u>	<u>2014</u>
Land	\$ 11,579	\$ 49,079
Building and improvements	9,105	1,909,151
Equipment and software	1,756,374	1,739,160
Office equipment	127,230	119,946
Vehicle	<u>32,752</u>	<u>20,706</u>
	1,937,040	3,838,042
Less, accumulated depreciation	<u>1,529,664</u>	<u>2,021,017</u>
<u>Property and equipment</u>	<u>\$ 407,376</u>	<u>\$ 1,817,025</u>

Note 7 - Property and Equipment (continued)

Depreciation expense for the years ended September 30, 2015 and 2014, was \$60,564 and \$119,890, respectively.

Note 8 - Intangible Assets

During the year ended September 30, 2005, the Organization purchased a radio station broadcast license. The purchase price was \$124,122, which included \$27,000 cash and underwriting credits of \$10,000 per year for fifteen (15) years, discounted to net present value at the annual rate of 6%. The Organization has the ability and intent to renew the purchased broadcast license indefinitely. Therefore, the license is subject to accounting under FASB ASC 350 *Goodwill*. In accordance with FASB ASC 350, the broadcast license is not subject to amortization but is tested for impairment annually.

During the year ended September 30, 2010, the Organization purchased high definition (HD) broadcasting rights for one of its towers. The cost of the HD rights was \$5,000 and the rights are not subject to renewal and last indefinitely. Therefore, the rights are also subject to accounting under FASB ASC 350 and are not subject to amortization but are tested for impairment annually.

Management believes there has been no impairment to these assets for the years ended September 30, 2015 and 2014.

Note 9 - Sale of Real Estate

During 2014, the building used for operations was actively marketed for sale. Based on the real estate market and sales prices of similar commercial buildings in the area, it was determined that the fair market value of the building was significantly less than the carrying value. As a result, management recorded an impairment loss during the year ended September 30, 2014 in the amount of \$567,391, which was the fair market value, less estimated costs to sell.

In October 2014, the Organization sold the building located on 73 Broadway for \$1,700,000, less selling costs of \$109,027, for total net proceeds of \$1,590,973. A portion of the proceeds were used to pay off the debt on the building.

Note 10 - Long-Term Debt

Long-term debt is described as follows:

<u>At September 30</u>	<u>2015</u>	<u>2014</u>
First Bank (construction loan), requiring 48 Monthly payments of \$7,350, balloon payment of all interest and principal due December 2015, fixed interest rate at 5%, secured by deed of trust.	\$	\$ 827,551
First Bank (vehicle loan), requiring 72 monthly payments of \$487 due September 2021, fixed interest rate at 2.99%, secured by a vehicle with a carrying value of \$32,206 at September 30, 2014	32,058	
Ford Credit (vehicle loan), requiring 48 monthly payments of \$486 due December 2017, fixed interest rate at 6.24%, secured by a vehicle with a carrying value of \$17,600 at September 30, 2014		17,105
Mars Hill College unsecured loan with payments of \$10,000 per year for fifteen (15) years in on-air underwriting credits, final payment due in December 2018, no stated interest rate, discounted at 6%	<u>34,650</u>	<u>42,124</u>
	66,708	886,780
Less, current maturities	<u>12,870</u>	<u>64,441</u>
<u>Long-term debt, net of current maturities</u>	<u>\$ 53,838</u>	<u>\$ 822,339</u>

Scheduled principal repayments on long-term debt for the next five years are as follows:

<u>Years Ending September 30</u>	<u>Long-term Debt</u>
2016	\$ 12,870
2017	13,495
2018	14,156
2019	14,851
2020	5,584
Thereafter	<u>5,752</u>
<u>Long-term debt</u>	<u>\$ 66,708</u>

Note 11 - Retirement Plan

The Organization contributes annually to a retirement plan 5% of compensation for staff members who have completed two years of service, plus up to an additional 10% match of employees' contributions. In addition, employees can make specific dollar contributions. Contributions for the years ended September 30, 2015 and 2014, were \$36,177 and \$44,198, respectively.

Note 12 - Lease Commitments

The Organization rents office space, parking spaces, office equipment, and several translator locations to broadcast its signal. The Organization has operating leases with lease terms ranging from one to ten years. Rent expense for all leases was \$138,897 and \$49,443 for the years ended September 30, 2015 and 2014, respectively. The following is a schedule of future minimum lease payments under non-cancelable operating leases.

<u>Years Ending September 30</u>	<u>Minimum Lease Payments</u>
2016	\$ 110,207
2017	105,837
2018	106,842
2019	109,588
2020	5,432
Thereafter	<u>6,527</u>
<u>Total minimum lease payments</u>	<u>\$ 444,433</u>

Note 13 - Leasing Activities

The Organization leases office space and tower use as the lessor to various individuals and companies under operating leases. For the years ended September 30, 2015 and 2014, rental income for office space and tower use was \$50,016 and \$36,801, respectively. The following is a schedule of future minimum rentals under non-cancelable operating leases.

<u>Years Ending September 30</u>	<u>Minimum Rentals</u>
2016	\$ 15,487
2017	16,021
2018	16,583
2019	17,172
2020	11,423
Thereafter	<u> </u>
<u>Total minimum rentals</u>	<u>\$ 76,686</u>

Note 14 - Summary Disclosure of Significant Contingencies

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Organization carries commercial insurance coverage for risks of loss.

Federal Assisted Programs

The Organization has received proceeds from the National Telecommunications and Information Administration (NTIA/PTFP), U.S. Department of Commerce for capital improvements and expansion. A financing statement has been filed placing a priority lien and reversionary interest on the capital improvements for a period of ten years following December 31, 2009.

Note 15 - Barter Transactions

The Organization regularly trades underwriting spots for goods and services. This underwriting is generally included in the Organization's in-kind contributions and is added to the expenses to which it relates. However, for the years ended September 30, 2015 and 2014, \$7,473 and \$7,049, respectively, of the in-kind contributions was treated as a principal payment on a note payable. The amount added to expenses was \$81,795 and \$73,847, respectively.

Note 16 - Other Income

During the year ended September 30, 2015, the Organization was awarded several licenses for the construction and use of translators. In 2015, two of these licenses were sold for a total of \$130,000, and the Organization has recognized the proceeds of this sale in other income.

Note 17 - Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Note 18 - Concentration of Credit Risk

The Organization maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2015, uninsured balances totaled approximately \$807,000.

The Organization has receivables outstanding from individuals and entities in Western North Carolina. The Organization was exposed to a regional concentration of credit risk in the amount of \$361,815 and \$307,006 at September 30, 2015 and 2014, respectively.

Note 19 - Subsequent Events

Management has evaluated subsequent events through February 4, 2016, the date on which the financial statements were available to be issued. During the period from the end of the fiscal year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements other than the item noted below.

In October 2015, the Organization entered into a new fund agreement with the Community Foundation of Western North Carolina, Inc. (Foundation) establishing the Western North Carolina Public Radio Reserve Fund. The Organization transferred \$640,000 to the fund as the initial investment in this reserve fund. The fund investments are managed by the Foundation.

SUPPLEMENTARY INFORMATION

WESTERN NORTH CAROLINA PUBLIC RADIO, INC.

Schedule of Functional Expenses
Year Ended September 30, 2015
(With Comparative Totals for 2014)

	Program Services			Supporting Services			Total 2015	Total 2014	
	Programming and Production	Engineering and Broadcasting	Digital Media	Total Program Services	General and Administration	Promotion and Development			Total Supporting Services
Salaries	\$ 278,215	\$ 75,423	\$	\$ 353,638	\$ 64,764	\$ 238,555	\$ 303,319	\$ 656,957	\$ 642,512
Benefits	61,810	926		62,736	6,487	41,754	48,241	110,977	104,912
Payroll taxes	<u>20,846</u>	<u>5,444</u>		<u>26,290</u>	<u>5,770</u>	<u>17,774</u>	<u>23,544</u>	<u>49,834</u>	<u>51,879</u>
Total salaries and benefits	360,871	81,793		442,664	77,021	298,083	375,104	817,768	799,303
Programming fees	357,305			357,305				357,305	359,411
Memberships and dues	14,740	136	11,851	26,727	5,538	6,583	12,121	38,848	32,289
Professional services	5,014	29,548	2,400	36,962	51,960	16,566	68,526	105,488	129,612
Repairs and maintenance	3,215	15,983		19,198	492	2,669	3,161	22,359	29,656
Supplies and minor equipment	8,150	13,267		21,417	2,343	9,154	11,497	32,914	23,559
Graphic design and printing	39	88		127	292	21,187	21,479	21,606	6,190
Postage	112	402		514	315	19,836	20,151	20,665	28,705
Premiums and hospitality					1,000	19,027	20,027	20,027	7,869
Insurance	15,610	3,145		18,755	2,618	12,935	15,553	34,308	29,638
Utilities	7,133	15,785		22,918	1,062	5,921	6,983	29,901	32,440
Communications	7,950	7,127	3,111	18,188	357	1,987	2,344	20,532	14,032
Advertising	19,112	2,846		21,958	3,047	16,694	19,741	41,699	50,589
Site rentals		20,452		20,452				20,452	15,146
Rent	51,485	13,213		64,698	7,657	42,661	50,318	115,016	30,877
Travel	1,361	2,923		4,284	557	178	735	5,019	6,130
Continued education and training					12,457	5,311	17,768	17,768	25,388
Audience research	5,455			5,455				5,455	3,970
Special events					1,479	34,441	35,920	35,920	40,640
Property taxes		4,557		4,557				4,557	
Banking and investment fees					4,013	35,696	39,709	39,709	37,446
Telemarketing						10,684	10,684	10,684	12,325
Recruitment					70,842	1,908	72,750	72,750	749
Client cultivation	<u>91</u>			<u>91</u>		<u>3,882</u>	<u>3,882</u>	<u>3,973</u>	<u>2,325</u>
Total expense before interest and depreciation	857,643	211,265	17,362	1,086,270	243,050	565,403	808,453	1,894,723	1,718,289
Interest		3,273		3,273				3,273	44,201
Depreciation	<u>3,045</u>	<u>54,540</u>		<u>57,585</u>	<u>453</u>	<u>2,526</u>	<u>2,979</u>	<u>60,564</u>	<u>119,890</u>
Total expenses	<u>\$ 860,688</u>	<u>\$ 269,078</u>	<u>\$ 17,362</u>	<u>\$ 1,147,128</u>	<u>\$ 243,503</u>	<u>\$ 567,929</u>	<u>\$ 811,432</u>	<u>\$ 1,958,560</u>	<u>\$ 1,882,380</u>