

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

Asheville, North Carolina

Financial Statements and
Supplementary Information

Year Ended September 30, 2016

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.

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, 2016, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Western North Carolina Public Radio, Inc.
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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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 4, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

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 1, 2017

WESTERN NORTH CAROLINA PUBLIC RADIO, INC.

Statement of Financial Position
September 30, 2016
(With Comparative Totals for 2015)

	2016	2015
Assets		
Current assets:		
Cash and equivalents	\$ 150,293	\$ 1,041,301
Underwriting grants receivable, net	314,515	208,909
Promises to give, net	202,924	152,906
Other receivables	14,915	6,138
Prepaid expenses	40,994	27,712
Total current assets	723,641	1,436,966
Property and equipment	484,273	407,376
Intangible assets	129,122	129,122
Beneficial interest in an endowment	1,146,969	270,556
Total assets	\$ 2,484,005	\$ 2,244,020
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt	\$ 13,345	\$ 12,870
Accounts payable and accrued expenses	115,509	16,677
Accrued compensated absences	27,714	31,155
Total current liabilities	156,568	60,702
Long-term debt, less current maturities	40,489	53,838
Total liabilities	197,057	114,540
Net assets:		
Unrestricted:		
Undesignated	161,873	180,200
Board designated reserves	856,084	927,003
Board designated project funds	3,498	14,588
Board designated endowment funds	290,885	270,556
Investment in property and equipment	457,169	375,318
Total unrestricted net assets	1,769,509	1,767,665
Temporarily restricted	517,439	361,815
Total net assets	2,286,948	2,129,480
Total liabilities and net assets	\$ 2,484,005	\$ 2,244,020

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

WESTERN NORTH CAROLINA PUBLIC RADIO, INC.

Statement of Activities
Year Ended September 30, 2016
(With Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Revenues and other support				
Listener support	\$ 923,143	\$ 202,924	\$ 1,126,067	\$ 1,244,045
Business/corporate support	451,252	314,515	765,767	559,104
CPB grants	214,237		214,237	179,250
Other operating grants	20,000		20,000	34,845
Rent	46,707		46,707	50,016
In-kind contributions	96,678		96,678	89,268
Other income	36,479		36,479	134,446
Net assets released from restrictions	<u>361,815</u>	<u>(361,815)</u>		
Total revenues and other support	<u>2,150,311</u>	<u>155,624</u>	<u>2,305,935</u>	<u>2,290,974</u>
Expenses				
Program services:				
Programming and production	982,186		982,186	909,605
Engineering and broadcasting	358,433		358,433	269,078
Digital media	<u>19,155</u>		<u>19,155</u>	<u>17,362</u>
Total program services	<u>1,359,774</u>		<u>1,359,774</u>	<u>1,196,045</u>
Supporting services:				
General and administration	259,155		259,155	243,503
Promotion and development	<u>574,648</u>		<u>574,648</u>	<u>567,929</u>
Total supporting services	<u>833,803</u>		<u>833,803</u>	<u>811,432</u>
Total expenses	<u>2,193,577</u>		<u>2,193,577</u>	<u>2,007,477</u>
Increase (decrease) in net assets before other gains (losses)	<u>(43,266)</u>	<u>155,624</u>	<u>112,358</u>	<u>283,497</u>
Other gains (losses)				
Investment income	12,292		12,292	3,234
Net gains (losses) on beneficial interest in an endowment	<u>32,818</u>		<u>32,818</u>	<u>(13,536)</u>
Total other gains (losses)	<u>45,110</u>		<u>45,110</u>	<u>(10,302)</u>
Increase in net assets	1,844	155,624	157,468	273,195
Net assets at beginning of year	<u>1,767,665</u>	<u>361,815</u>	<u>2,129,480</u>	<u>1,856,285</u>
Net assets at end of year	<u>\$ 1,769,509</u>	<u>\$ 517,439</u>	<u>\$ 2,286,948</u>	<u>\$ 2,129,480</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, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash flows from operating activities		
Increase in net assets	\$ 157,468	\$ 273,195
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	65,174	60,564
Net (gains) losses on beneficial interest in an endowment	(32,818)	13,536
Receipt of donated stock	(11,110)	(2,968)
Underwriting credits toward note payable	(7,920)	(7,473)
Provision for bad debts	22,545	48,917
Changes in working capital - sources (uses):		
Underwriting grants receivable	(105,606)	(8,369)
Promises to give	(72,563)	(95,357)
Other receivables	(8,777)	(4,130)
Prepaid expenses	(13,282)	(3,092)
Accounts payable and accrued expenses	98,832	(97,230)
Accrued compensated absences	(3,441)	(13,035)
Net cash provided by operating activities	88,502	164,558
Cash flows from investing activities		
Proceeds from sale of donated stock	11,110	2,968
Purchases of beneficial interest in an endowment	(840,000)	
Proceeds from sale of property and equipment		763,422
Purchase of property and equipment	(142,071)	(24,498)
Change in beneficial interest in an endowment	(3,595)	(613)
Net cash provided (used) by investing activities	(974,556)	741,279
Cash flows from financing activities		
Repayment of amounts borrowed	(4,954)	(4,444)
Net increase (decrease) in cash and equivalents	(891,008)	901,393
Cash and equivalents at beginning of year	1,041,301	139,908
Cash and equivalents at end of year	\$ 150,293	\$ 1,041,301

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, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
Schedule of non-cash investing and financing activities		
Acquisition of long-term assets by issuing notes payable	<u>\$</u>	<u>\$ 32,058</u>
Residual amounts of long-term assets used in reduction of notes payable	<u>\$</u>	<u>\$ 13,110</u>
Proceeds from real estate sale applied to notes payable	<u>\$</u>	<u>\$ 827,551</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 898</u>	<u>\$ 746</u>

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

WESTERN NORTH CAROLINA PUBLIC RADIO, INC.

Notes to Financial Statements
September 30, 2016

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.

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.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization has also been classified as a publicly-supported charitable organization and is exempt from state taxes under North Carolina General Statute 105-130.11(a).

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate document and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due.

Note 1 - Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

- Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by passage of time.

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 donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Donated Goods and Services

Donated marketable securities are recorded as contributions at their fair value at the date of donation.

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

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

All acquisitions of property and equipment in excess of \$1,000 and significant expenditures for repairs, maintenance, renewals and betterments that prolong the useful life of assets are capitalized. Purchased property and equipment are carried at cost. Depreciation is computed using the straight-line method over a period of three to twenty years.

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 and Disclosures

Accounting principles generally accepted in the United States of America establish a 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 are described below:

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures (continued)

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. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services by statistical means. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for overall support and direction of the Organization.

Advertising

Advertising costs are expensed as incurred. For the years ended September 30, 2016 and 2015, costs charged to expense were \$63,819 and \$41,699, respectively.

Reclassification

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

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, 2015, from which the summarized information was derived.

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

<u>At September 30</u>	<u>2016</u>	<u>2015</u>
Underwriting grants receivable	\$ 314,515	\$ 208,909
Promises to give	<u>202,924</u>	<u>152,906</u>
<u>Temporarily restricted net assets</u>	<u>\$ 517,439</u>	<u>\$ 361,815</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>2016</u>	<u>2015</u>
Underwriting grants receivable	\$ 326,052	\$ 220,446
Less, allowance for uncollectibles	<u>11,537</u>	<u>11,537</u>
<u>Underwriting grants receivable, net</u>	<u>\$ 314,515</u>	<u>\$ 208,909</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>2016</u>	<u>2015</u>
Promises to give	\$ 208,476	\$ 158,458
Less, allowance for uncollectibles	<u>5,552</u>	<u>5,552</u>
<u>Promises to give, net</u>	<u>\$ 202,924</u>	<u>\$ 152,906</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>2016</u>	<u>2015</u>
Market	\$ 1,146,969	\$ 270,556
Cost	<u>929,525</u>	<u>61,196</u>
<u>Cumulative gains on beneficial interest in endowment</u>	<u>\$ 217,444</u>	<u>\$ 209,360</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>2016</u>	<u>2015</u>
Excess of market value over cost:		
Beginning of year	\$ 209,360	\$ 228,228
End of year	<u>217,444</u>	<u>209,360</u>
Unrealized losses	8,084	(18,868)
Realized gains	<u>24,734</u>	<u>5,332</u>
<u>Net gains (losses) on beneficial interest in endowment</u>	<u>\$ 32,818</u>	<u>\$ (13,536)</u>

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, 2016 and 2015, was \$433,040 and \$422,049, 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, 2016 and 2015, the fund distributed grants to the Organization in the amounts of \$20,000 and \$34,845, 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>2016</u>	<u>2015</u>
Level 3 inputs, beginning of year	\$ 270,556	\$ 283,479
Contributions	840,000	
Investment income	11,879	3,192
Net gains (losses)	32,818	(13,536)
Management fees	<u>(8,284)</u>	<u>(2,569)</u>
<u>Level 3 inputs, end of year</u>	<u>\$ 1,146,969</u>	<u>\$ 270,556</u>

Note 7 - Property and Equipment

A description of property and equipment is as follows:

<u>At September 30</u>	<u>2016</u>	<u>2015</u>
Land	\$ 11,579	\$ 11,579
Building and improvements	10,222	9,105
Equipment and software	1,843,189	1,756,374
Office equipment	147,415	127,230
Vehicle	33,823	32,752
Construction in progress	<u>32,883</u>	
	2,079,111	1,937,040
Less, accumulated depreciation	<u>1,594,838</u>	<u>1,529,664</u>
<u>Property and equipment</u>	<u>\$ 484,273</u>	<u>\$ 407,376</u>

Depreciation expense for the years ended September 30, 2016 and 2015, was \$65,174 and \$60,564, 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, 2016 and 2015.

Note 9 - Sale of Real Estate

In October 2014, the Organization sold the building which it previously held title to at 73 Broadway, for \$1,700,000, less selling costs of \$109,027, for total proceeds of \$1,590,973. A portion of the proceeds was 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>2016</u>	<u>2015</u>
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 \$25,655 at September 30, 2016	\$ 27,104	\$ 32,058
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>26,730</u>	<u>34,650</u>
	53,834	66,708
Less, current maturities	<u>13,345</u>	<u>12,870</u>
<u>Long-term debt, net of current maturities</u>	<u>\$ 40,489</u>	<u>\$ 53,838</u>

Note 10 - Long-Term Debt (continued)

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>
2017	\$ 13,345
2018	14,156
2019	14,851
2020	5,584
2021	5,898
Thereafter	
<u>Long-term debt</u>	<u>\$ 53,834</u>

Note 11 - Retirement Plan

The Organization contributes 5% of compensation annually to a retirement plan for staff 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, 2016 and 2015, were \$38,959 and \$36,177, 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 \$154,856 and \$138,897 for the years ended September 30, 2016 and 2015, 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>
2017	\$ 170,101
2018	170,581
2019	135,163
2020	5,780
2021	3,510
Thereafter	<u>7,555</u>
<u>Total minimum lease payments</u>	<u>\$ 492,690</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, 2016 and 2015, rental income for office space and tower use was \$46,707 and \$50,016, 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>
2017	\$ 44,586
2018	46,422
2019	48,309
2020	26,725
2021	8,783
Thereafter	
<u>Total minimum rentals</u>	<u>\$ 174,825</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, 2016 and 2015, \$7,920 and \$7,473, respectively, of the in-kind contributions was treated as a principal payment on a note payable. The amount added to expenses was \$88,757 and \$81,795, respectively, for the year ended September 30, 2016 and 2015.

Note 16 - Other Income

During the years ended September 30, 2016 and 2015, the Organization sold previously awarded licenses for the construction and use of translators for \$25,000 and \$130,000, respectively. The Organization has recognized the proceeds of this sale in other income.

Note 17 - Income Taxes

Unrelated Business Income

Certain activities of the Organization are subject to unrelated business income tax. Net activities for the years ended September 30, 2016 and 2015, did not generate a liability for income taxes.

Uncertain Tax Positions

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, 2016, there were no uninsured balances.

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 \$517,439 and \$361,815 at September 30, 2016 and 2015, respectively.

Note 19 - Subsequent Events

Management has evaluated subsequent events through February 1, 2017, 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 other than the one noted below occurred that require recognition or disclosure in these financial statements.

Subsequent to year-end, the Organization received an unrestricted bequest in the amount of \$100,000.

SUPPLEMENTARY INFORMATION

WESTERN NORTH CAROLINA PUBLIC RADIO, INC.

Schedule of Functional Expenses
Year Ended September 30, 2016
(With Comparative Totals for 2015)

	Program Services			Supporting Services			Total 2016	Total 2015	
	Programming and Production	Engineering and Broadcasting	Digital Media	Total Program Services	General and Administration	Promotion and Development			Total Supporting Services
Salaries	\$ 288,149	\$ 101,609	\$	\$ 389,758	\$ 128,332	\$ 259,328	\$ 387,660	\$ 777,418	\$ 656,957
Benefits	51,167	10,725		61,892	3,404	39,758	43,162	105,054	110,977
Payroll taxes	21,470	6,701		28,171	9,974	19,345	29,319	57,490	49,834
Total salaries and benefits	360,786	119,035		479,821	141,710	318,431	460,141	939,962	817,768
Programming fees	389,990			389,990				389,990	357,305
Memberships and dues	28,549	13		28,562	2,755	4,236	6,991	35,553	38,848
Professional services	9,190	37,528	4,185	50,903	58,389	15,679	74,068	124,971	105,488
Repairs and maintenance	6,713	46,108		52,821	924	5,146	6,070	58,891	22,359
Supplies and minor equipment	9,412	16,830	582	26,824	2,430	10,972	13,402	40,226	32,914
Graphic design and printing	191	38		229	216	20,478	20,694	20,923	21,606
Postage	171	629		800	271	19,350	19,621	20,421	20,665
Premiums and hospitality	154		4	158	1,451	3,421	4,872	5,030	20,027
Insurance	10,088	3,891		13,979	1,552	8,330	9,882	23,861	34,308
Utilities	7,323	1,094		8,417	1,094	6,074	7,168	15,585	29,901
Communications	18,053	25,913	14,384	58,350	2,409	6,626	9,035	67,385	20,532
Advertising	29,672	4,405		34,077	4,435	25,307	29,742	63,819	41,699
Site rentals		23,437		23,437				23,437	20,452
Rent	59,465	8,849		68,314	8,850	49,306	58,156	126,470	115,016
Travel	841	3,913		4,754	469		469	5,223	5,019
Continued education and training	7,283	57		7,340	17,390	7,392	24,782	32,122	17,768
Audience research	9,330			9,330				9,330	5,455
Special events	2,851			2,851	525	38,330	38,855	41,706	35,920
Property taxes									4,557
Banking and investment fees					8,825	28,928	37,753	37,753	39,709
Telemarketing						3,890	3,890	3,890	10,684
Recruitment	9,458	621		10,079	575		575	10,654	72,750
Client cultivation	121			121	4,885	673	5,558	5,679	3,973
Provision for bad debts	22,545			22,545				22,545	48,917
Total expense before interest and depreciation	982,186	292,361	19,155	1,293,702	259,155	572,569	831,724	2,125,426	1,943,640
Interest		898		898		2,079	2,079	2,977	3,273
Depreciation		65,174		65,174				65,174	60,564
Total expenses	\$ 982,186	\$ 358,433	\$ 19,155	\$ 1,359,774	\$ 259,155	\$ 574,648	\$ 833,803	\$ 2,193,577	\$ 2,007,477