

**LEHIGH VALLEY COMMUNITY
BROADCASTERS ASSOCIATION, INC.**

FINANCIAL REPORT

June 30, 2016

**BUCKNO
LISICKY** 
& COMPANY

BUCKNOLISICKY.COM

A Professional Corporation

Certified Public Accountants | Business Consultants

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1-2
FINANCIAL STATEMENTS	
Statements of financial position	3-4
Statements of activities	5-6
Statements of cash flows	7
Notes to financial statements	8-16



Certified Public Accountants | Business Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lehigh Valley Community Broadcasters Association, Inc.
Bethlehem, Pennsylvania

We have audited the accompanying financial statements of Lehigh Valley Community Broadcasters Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lehigh Valley Community Broadcasters Association, Inc. as of June 30, 2016 and 2015, 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.

Buckno Lisicky + Company

Allentown, Pennsylvania
January 10, 2017

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 50,665	\$ 50
Investments	2,174	2,639
Accounts receivable, trade	49,108	42,624
Promises to give	-	1,000
Prepaid expenses	<u>12,852</u>	<u>12,671</u>
 Total current assets	 <u>114,799</u>	 <u>58,984</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	61,438	61,438
Radio/electronic equipment	444,939	382,055
Music library	29,183	29,183
Office equipment	42,939	36,847
Furniture and fixtures	<u>14,710</u>	<u>14,710</u>
	593,209	524,233
Less accumulated depreciation	<u>461,213</u>	<u>449,105</u>
 Property and equipment, net	 <u>131,996</u>	 <u>75,128</u>
NONCURRENT ASSETS		
Deposits	2,064	2,064
Cash restricted for long-term purposes	9,381	70,395
Investments restricted for long-term purposes	<u>-</u>	<u>4,749</u>
 Total noncurrent assets	 <u>11,445</u>	 <u>77,208</u>
 Total assets	 <u><u>\$ 258,240</u></u>	 <u><u>\$ 211,320</u></u>

See Notes to Financial Statements.

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2016 and 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions:			
Cash	\$ 197,615	\$ -	\$ 197,615
In kind	5,522	-	5,522
Memberships	190,988	-	190,988
Program underwriting:			
Cash	208,210	-	208,210
In kind	236,918	-	236,918
Fund raising revenue	7,301	-	7,301
Investment return	(102)	129	27
Miscellaneous	1,744	-	1,744
Net assets released from restrictions:			
Satisfaction of program restrictions	66,431	(66,431)	-
	914,627	(66,302)	848,325
Total revenues and other support			
EXPENSES			
Program services:			
Programming and production	173,131	-	173,131
Broadcasting and engineering	79,256	-	79,256
Program information and promotion	163,130	-	163,130
Support services:			
Management and general	103,109	-	103,109
Fund raising and membership development	193,898	-	193,898
Underwriting and grant solicitation	78,821	-	78,821
	791,345	-	791,345
Total expenses			
CHANGE IN NET ASSETS	123,282	(66,302)	56,980
NET ASSETS, BEGINNING	40,242	93,863	134,105
NET ASSETS, ENDING	\$ 163,524	\$ 27,561	\$ 191,085

See Notes to Financial Statements.

2015		
Unrestricted	Temporarily Restricted	Total
172,937	\$ 69,929	\$ 242,866
3,323	-	3,323
177,249	-	177,249
171,487	-	171,487
239,281	-	239,281
18,555	-	18,555
(20)	24	4
1,495	-	1,495
<u>4,548</u>	<u>(4,548)</u>	<u>-</u>
<u>788,855</u>	<u>65,405</u>	<u>854,260</u>
168,146	-	168,146
80,411	-	80,411
165,024	-	165,024
98,752	-	98,752
195,762	-	195,762
<u>62,564</u>	<u>-</u>	<u>62,564</u>
<u>770,659</u>	<u>-</u>	<u>770,659</u>
18,196	65,405	83,601
<u>22,046</u>	<u>28,458</u>	<u>50,504</u>
<u>\$ 40,242</u>	<u>\$ 93,863</u>	<u>\$ 134,105</u>

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 56,980	\$ 83,601
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	12,108	17,204
Donated investments	(4,759)	(7,617)
Realized loss on sale of investments	194	-
Unrealized (gain) loss on investments	(230)	229
(Increase) decrease in assets:		
Accounts receivable	(6,484)	7,389
Promises to give	1,000	9,750
Prepaid expenses	(181)	555
Increase (decrease) in liabilities:		
Accrued expenses and other liabilities	(20,283)	5,002
Deferred revenue	19,223	(6,943)
Net cash provided by operating activities	57,568	109,170
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	10,009	-
(Increase) decrease in cash restricted for long-term purposes	61,014	(65,230)
Purchase of property and equipment	(68,976)	(8,940)
Net cash provided by (used in) investing activities	2,047	(74,170)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in notes payable, bank	(9,000)	(35,000)
Net cash used in financing activities	(9,000)	(35,000)
Net increase in cash	50,615	-
CASH:		
Beginning	50	50
Ending	\$ 50,665	\$ 50
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	\$ 566	\$ 1,702

See Notes to Financial Statements.

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Purpose

The Lehigh Valley Community Broadcasters Association, Inc. is established to operate WDIY-FM 88.1 as a community-run public radio station and to promote community access to and involvement in public radio. The Association's Board of Directors appoints committees to assist in the establishment of policies and budgets, the hiring of paid staff, and overseeing the development and operation of the radio station through the use of donations, grants, program underwriting, and the use of volunteer services.

The Association has three types of program service activities as follows:

Programming and production - This function consists of the production and/or acquisition of programming and conducting program operations.

Broadcasting and engineering - This function includes program transmission, interconnection and engineering.

Program information and promotion - This function consists of informing the listening public of specific available program services.

Note 2. Summary of Significant Accounting Policies

The financial statements are prepared on the accrual basis of accounting. The significant accounting policies followed are described below:

Basis of presentation:

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in FASB ASC 958-205. Under these standards, the Association 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.

Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash:

Cash, for the purposes of the Statements of Cash Flows, includes short-term, highly liquid financial instruments with original maturities of 90 days or less.

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Accounts receivable, program underwriting:

Accounts receivable is stated at unpaid balances net of an allowance for doubtful accounts. The accounts receivable is related to underwriting contracts for station programming. It is the Association's policy to charge off uncollectible accounts receivable to the allowance when management determines the receivable will not be collected. Management periodically reviews underwriting contract receivables for collectability and estimates the allowance based on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. Management has determined that no allowance for doubtful accounts is necessary as of June 30, 2016 and 2015.

Program underwriting revenue is recognized over the life of the related contract. Deferred revenue is established for the unearned portion of the underwriting contract revenue.

Investments:

The Association carries investments in marketable securities with readily determinable fair values at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Property and equipment:

The Association capitalizes all property and equipment that has an estimated useful life of greater than one year. Property and equipment are stated at cost for purchased items and fair value for contributed items and depreciated using the straight-line method over the estimated useful lives of the assets and considering the estimated salvage value of the assets. The useful lives range from five to fifteen years for equipment and the music library to twenty years for leasehold improvements.

Support and expenses:

Contributions are recorded as revenue at their fair value in the period received. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions for which the donor restrictions are completely met in the same fiscal period are reported as unrestricted revenues and other support.

The Association reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Contributed services and materials:

The Association receives a substantial amount of donated services and materials in the form of promotional expenses, supplies and other expenses. Some of these services and materials are received in exchange for on-air underwriting acknowledgement announcements and memberships. The value of these items, which is reflected in the statement of activities at their fair value, is \$242,440 and \$242,604 for the years ended June 30, 2016 and 2015.

Income taxes:

The Association is a nonprofit corporation established under Pennsylvania law and is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Association has adopted the provisions of FASB ASC 740-10 related to accounting for uncertainty in income taxes. The Association continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings in determining any uncertain tax positions.

The Association files a Return of Organization Exempt From Income Tax annually. The Association's returns for 2012, 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Concentration of credit risk:

The Association has accounts receivable from program underwriting contracts with various businesses located primarily in the Lehigh Valley area of Pennsylvania.

Date of management's review:

The Association has evaluated subsequent events through January 10, 2017, the date which the financial statements were available to be issued.

Note 3. Investments

Investments as of June 30, 2016 and 2015 consist of the following:

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>June 30, 2016</u>			
Unrestricted:			
Common stock	\$ 2,174	\$ 2,174	\$ -
<u>June 30, 2015</u>			
Unrestricted:			
Common stock	\$ 2,688	\$ 2,639	\$ (49)
Restricted:			
Common stock	\$ 4,929	\$ 4,749	\$ (180)

The components of investment return as of June 30, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>June 30, 2016</u>			
Interest and dividends	\$ 50	\$ -	\$ 50
Net realized gains (losses)	(201)	7	(194)
Net unrealized gains	49	122	171
	<u>\$ (102)</u>	<u>\$ 129</u>	<u>\$ 27</u>
<u>June 30, 2015</u>			
Interest and dividends	\$ 29	\$ -	\$ 29
Net unrealized gains (losses)	(49)	24	(25)
	<u>\$ (20)</u>	<u>\$ 24</u>	<u>\$ 4</u>

Note 4. Promises to Give

Unconditional promises to give are recorded as receivables and revenue when received. Unconditional promises to give as of June 30, 2016 and 2015 are due as follows:

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

	<u>2016</u>	<u>2015</u>
Less than one year	\$ -	\$ 1,000
One year to three years	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 1,000</u>

Note 5. Cash and Investments Restricted for Long-Term Purposes

Certain cash and investments of the Association are restricted for long-term purposes as of June 30, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Cash:		
Future endowment	\$ 5,312	\$ 5,370
Equipment for power increase	<u>4,069</u>	<u>65,025</u>
	<u>\$ 9,381</u>	<u>\$ 70,395</u>
Investments:		
Equipment for power increase	<u>\$ -</u>	<u>\$ 4,749</u>

Note 6. Note Payable, Bank

The Association has available a line of credit in the amount of \$100,000 for operational uses. The note is secured by the Association's accounts receivable and equipment. Interest is at a variable rate at the Bank's prime rate plus 1.0% with a minimum rate of 5%. There was no outstanding balance on the line of credit as of June 30, 2016. The line of credit had an outstanding balance of \$9,000 as of June 30, 2015. Interest expense for the years ended June 30, 2016 and 2015 was \$566 and \$1,702, respectively.

Note 7. Operating Leases

The Association rents building space and antenna space on a transmission tower under operating lease agreements.

Rent expense, including the utility reimbursement, under the operating lease agreements is \$65,346 and \$64,222 for the years ended June 30, 2016 and 2015

The minimum future lease payments, including utilities reimbursement, under the operating leases are as follows:

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ending June 30,	
2017	\$ 62,741
2018	62,788
2019	36,587
2020	16,800
2021	1,400
	<u>\$ 180,316</u>

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Federally funded equipment for use in accordance with a grant agreement, net of accumulated depreciation	\$ 14,197	\$ 17,745
Equipment for power increase	8,053	69,748
Future expenditures	-	1,000
Building-to-endowment	5,311	5,370
	<u>\$ 27,561</u>	<u>\$ 93,863</u>

Note 9. Contingent Liabilities

The Association has participated in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Association is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

Note 10. Concentration of Revenue Sources

Approximately 11% of the Association's revenue and other support for both the years ended June 30, 2016 and 2015, comes from the Corporation for Public Broadcasting. The current level of the Association's operations and program services may be impacted if funding would be reduced.

Note 11. Fair Value Measurements

The fair values of assets measured on a recurring basis as of June 30, 2016 and 2015 are as follows:

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Level 1 measurements represent quoted prices in active markets for identical assets.

<u>June 30, 2016</u>	<u>Fair Value</u>	<u>(Level 1)</u>
Unrestricted:		
Equity securities:		
Technology sector	<u>\$ 2,174</u>	<u>\$ 2,174</u>
	Fair Value	(Level 1)
<u>June 30, 2015</u>	<u>Value</u>	<u></u>
Unrestricted:		
Equity securities:		
Technology sector	<u>\$ 2,639</u>	<u>\$ 2,639</u>
Restricted:		
Equity securities:		
Services sector	<u>\$ 4,749</u>	<u>\$ 4,749</u>

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

Note 12. Functional Expenses

The costs of providing the various programs, fund raising and other activities have been summarized on a functional basis below. Accordingly, certain costs have been allocated among the programs and activities benefited.

	Year Ended		
	Program Services		
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion
Salaries and benefits	\$ 56,145	\$ 12,522	\$ 44,475
Professional fees	615	7,289	615
Occupancy	6,745	6,744	6,744
Office	4,179	4,252	4,347
Depreciation	567	8,895	567
Insurance	1,923	3,408	1,789
Interest	85	85	85
Broadcast	102,310	35,499	-
Marketing and promotion	-	-	103,946
Miscellaneous	562	562	562
	<u>\$ 173,131</u>	<u>\$ 79,256</u>	<u>\$ 163,130</u>
	Year Ended		
Salaries and benefits	\$ 52,037	\$ 11,876	\$ 43,182
Professional fees	547	6,473	547
Occupancy	6,601	6,601	6,601
Office	4,161	4,265	4,341
Depreciation	720	13,124	720
Insurance	1,812	3,519	1,878
Interest	255	255	255
Broadcast	101,329	33,614	-
Marketing and promotion	-	-	106,816
Miscellaneous	684	684	684
	<u>\$ 168,146</u>	<u>\$ 80,411</u>	<u>\$ 165,024</u>

June 30, 2016

<u>Support Services</u>			
<u>Management and General</u>	<u>Fund Raising and Membership Development</u>	<u>Underwriting and Grant Solicitation</u>	<u>Total</u>
\$ 64,737	\$ 54,888	\$ 63,266	\$ 296,033
10,474	615	615	20,223
11,241	6,744	6,744	44,962
8,215	17,139	4,906	43,038
945	567	567	12,108
6,419	1,909	2,003	17,451
141	85	85	566
-	-	-	137,809
-	100,883	-	204,829
937	11,068	635	14,326
<u>\$ 103,109</u>	<u>\$ 193,898</u>	<u>\$ 78,821</u>	<u>\$ 791,345</u>

June 30, 2015

\$ 60,055	\$ 52,363	\$ 46,900	\$ 266,413
10,169	2,047	547	20,330
11,002	6,601	6,601	44,007
8,229	15,625	4,866	41,487
1,200	720	720	17,204
6,527	1,890	1,991	17,617
427	255	255	1,702
-	-	-	134,943
-	102,527	-	209,343
1,143	13,734	684	17,613
<u>\$ 98,752</u>	<u>\$ 195,762</u>	<u>\$ 62,564</u>	<u>\$ 770,659</u>