

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

FINANCIAL REPORT

June 30, 2017

**BUCKNO
LISICKY** 
& COMPANY

BUCKNOLISICKY.COM

A Professional Corporation

Certified Public Accountants | Business Consultants

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

Table of Contents

June 30, 2017 and 2016

	<u>Page</u>
Independent Auditors' Report on the Financial Statements	1-2
Financial Statements	
Statements of financial position	3
Statements of activities	4-5
Statements of cash flows	6
Notes to financial statements	7-13



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 statements of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016, 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 8, 2018

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.**Statements of Financial Position**

June 30, 2017 and 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash	\$ 128,649	\$ 50,665
Investments	-	2,174
Accounts receivable, trade	62,051	49,108
Prepaid expenses	<u>13,332</u>	<u>12,852</u>
TOTAL CURRENT ASSETS	<u>204,032</u>	<u>114,799</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	61,438	61,438
Radio/electronic equipment	447,146	444,939
Music library	29,183	29,183
Office equipment	42,939	42,939
Furniture and fixtures	<u>14,710</u>	<u>14,710</u>
	595,416	593,209
Less accumulated depreciation	<u>473,511</u>	<u>461,213</u>
PROPERTY AND EQUIPMENT, NET	<u>121,905</u>	<u>131,996</u>
NONCURRENT ASSETS		
Deposits	2,064	2,064
Cash restricted for long-term purposes	<u>10,081</u>	<u>9,381</u>
TOTAL NONCURRENT ASSETS	<u>12,145</u>	<u>11,445</u>
TOTAL ASSETS	<u>\$ 338,082</u>	<u>\$ 258,240</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses and other liabilities	\$ 7,302	\$ 16,490
Deferred revenue	<u>58,586</u>	<u>50,665</u>
TOTAL CURRENT LIABILITIES	<u>65,888</u>	<u>67,155</u>
TOTAL LIABILITIES	<u>65,888</u>	<u>67,155</u>
NET ASSETS		
Unrestricted	247,485	163,524
Temporarily restricted	<u>24,709</u>	<u>27,561</u>
TOTAL NET ASSETS	<u>272,194</u>	<u>191,085</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 338,082</u>	<u>\$ 258,240</u>

See Notes to Financial Statements.

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

Statements of Activities

Year Ended June 30, 2017

	2017		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Contributions:			
Cash	\$ 217,750	\$ -	\$ 217,750
In kind	3,427	-	3,427
Memberships	215,403	-	215,403
Program underwriting:			
Cash	219,348	-	219,348
In kind	263,620	-	263,620
Special event revenue of \$12,891 net of direct expenses of \$10,387	2,504	-	2,504
Investment return	62	696	758
Miscellaneous	947	-	947
Net assets released from restrictions:			
Satisfaction of program restrictions	3,548	(3,548)	-
	<u>926,609</u>	<u>(2,852)</u>	<u>923,757</u>
Total revenues and other support			
EXPENSES			
Program services:			
Programming and production	177,804	-	177,804
Broadcasting and engineering	76,545	-	76,545
Program information and promotion	176,843	-	176,843
Support services:			
Management and general	121,104	-	121,104
Fund raising and membership development	210,739	-	210,739
Underwriting and grant solicitation	79,613	-	79,613
	<u>842,648</u>	<u>-</u>	<u>842,648</u>
Total expenses			
CHANGE IN NET ASSETS	83,961	(2,852)	81,109
NET ASSETS, BEGINNING	<u>163,524</u>	<u>27,561</u>	<u>191,085</u>
NET ASSETS, ENDING	<u>\$ 247,485</u>	<u>\$ 24,709</u>	<u>\$ 272,194</u>

See Notes to Financial Statements.

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

**Statements of Activities
Year Ended June 30, 2016**

	2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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
Special event revenue of \$7,301 net of direct expenses of \$5,199	2,102	-	2,102
Investment return	(102)	129	27
Miscellaneous	1,744	-	1,744
Net assets released from restrictions:			
Satisfaction of program restrictions	66,431	(66,431)	-
	<u>909,428</u>	<u>(66,302)</u>	<u>843,126</u>
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	188,699	-	188,699
Underwriting and grant solicitation	78,821	-	78,821
	<u>786,146</u>	<u>-</u>	<u>786,146</u>
Total expenses			
CHANGE IN NET ASSETS	123,282	(66,302)	56,980
NET ASSETS, BEGINNING	<u>40,242</u>	<u>93,863</u>	<u>134,105</u>
NET ASSETS, ENDING	<u>\$ 163,524</u>	<u>\$ 27,561</u>	<u>\$ 191,085</u>

See Notes to Financial Statements.

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 81,109	\$ 56,980
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	12,298	12,108
Donated investments	-	(4,759)
Realized loss on sale of investments	3	194
Unrealized gain on investments	-	(230)
(Increase) decrease in assets:		
Accounts receivable	(12,943)	(6,484)
Promises to give	-	1,000
Prepaid expenses	(480)	(181)
Increase (decrease) in liabilities:		
Accrued expenses and other liabilities	(9,188)	(20,283)
Deferred revenue	<u>7,921</u>	<u>19,223</u>
Net cash provided by operating activities	<u>78,720</u>	<u>57,568</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,171	10,009
(Increase) decrease in cash restricted for long-term purposes	(700)	61,014
Purchase of property and equipment	<u>(2,207)</u>	<u>(68,976)</u>
Net cash provided by (used in) investing activities	<u>(736)</u>	<u>2,047</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in notes payable, bank	<u>-</u>	<u>(9,000)</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>(9,000)</u>
Net increase in cash	77,984	50,615
CASH:		
Beginning	<u>50,665</u>	<u>50</u>
Ending	<u>\$ 128,649</u>	<u>\$ 50,665</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	<u>\$ 141</u>	<u>\$ 566</u>

See 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.

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, 2017 and 2016.

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 the Financial Statements

June 30, 2017 and 2016

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 \$267,047 and \$242,440 for the years ended June 30, 2017 and 2016.

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 2013, 2014, 2015 and 2016 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.

Reclassifications

Certain items in the 2016 financial statements have been reclassified to conform with the 2017 presentation.

Date of management's review

The Association has evaluated subsequent events through January 8, 2018, the date which the financial statements were available to be issued.

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

Notes to the Financial Statements

June 30, 2017 and 2016

NOTE 3. INVESTMENTS

The Association has no Investments as of June 30, 2017. The Association's investments as of June 30, 2016 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>June 30, 2016</u>			
Unrestricted:			
Common stock	<u>\$ 2,174</u>	<u>\$ 2,174</u>	<u>\$ -</u>

The components of investment return as of June 30, 2017 and 2016 are as follows:

<u>June 30, 2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 65	\$ -	\$ 65
Net realized losses	(3)	-	(3)
Net unrealized gains (losses)	<u>-</u>	<u>696</u>	<u>696</u>
	<u>\$ 62</u>	<u>\$ 696</u>	<u>\$ 758</u>
<u>June 30, 2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 50	\$ -	\$ 50
Net realized gains (losses)	(201)	7	(194)
Net unrealized gains (losses)	<u>49</u>	<u>122</u>	<u>171</u>
	<u>\$ (102)</u>	<u>\$ 129</u>	<u>\$ 27</u>

NOTE 4. CASH RESTRICTED FOR LONG-TERM PURPOSES

Certain cash of the Association is restricted for long-term purposes as of June 30, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Cash:		
Future endowment	\$ 6,008	\$ 5,312
Equipment for power increase	<u>4,073</u>	<u>4,069</u>
	<u>\$ 10,081</u>	<u>\$ 9,381</u>

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

Notes to the Financial Statements

June 30, 2017 and 2016

NOTE 5. 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, 2017 and June 30, 2016.

NOTE 6. 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 \$63,836 and \$65,346 for the years ended June 30, 2017 and 2016

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

Years Ending June 30,	
2018	\$ 62,788
2019	36,587
2020	16,800
2021	<u>1,400</u>
	<u>\$ 117,575</u>

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Federally funded equipment for use in accordance with a grant agreement, net of accumulated depreciation	\$ 10,648	\$ 14,197
Equipment for power increase	8,053	8,053
Building-to-endowment	<u>6,008</u>	<u>5,311</u>
	<u>\$ 24,709</u>	<u>\$ 27,561</u>

NOTE 8. 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 9. CONCENTRATION OF REVENUE SOURCES

Approximately 11% of the Association's revenue and other support for both the years ended June 30, 2017 and 2016, 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 10. FAIR VALUE MEASUREMENTS

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

<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>

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

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

Notes to the Financial Statements
June 30, 2017 and 2016

NOTE 11. 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 June 30, 2017						
	Program Services			Support Services			Total
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Management and General	Fund Raising and Membership Development	Underwriting and Grant Solicitation	
Salaries and benefits	\$ 60,091	\$ 13,614	\$ 45,479	\$ 82,768	\$ 57,775	\$ 64,028	\$ 323,755
Professional fees	297	4,350	298	9,946	297	297	15,485
Occupancy	6,750	6,750	6,750	11,250	6,750	6,750	45,000
Office	4,348	4,476	4,563	8,568	19,766	5,287	47,008
Depreciation	541	9,237	540	900	540	540	12,298
Insurance	1,921	3,420	1,762	6,542	1,894	1,952	17,491
Interest	21	21	21	35	21	22	141
Broadcast	103,178	34,020	-	-	-	-	137,198
Marketing and promotion	-	-	116,773	-	117,749	-	234,522
Miscellaneous	657	657	657	1,095	5,947	737	9,750
	<u>\$ 177,804</u>	<u>\$ 76,545</u>	<u>\$ 176,843</u>	<u>\$ 121,104</u>	<u>\$ 210,739</u>	<u>\$ 79,613</u>	<u>\$ 842,648</u>
	Year Ended June 30, 2016						
Salaries and benefits	\$ 56,145	\$ 12,522	\$ 44,475	\$ 64,737	\$ 54,888	\$ 63,266	\$ 296,033
Professional fees	615	7,289	615	10,474	615	615	20,223
Occupancy	6,745	6,744	6,744	11,241	6,744	6,744	44,962
Office	4,179	4,252	4,347	8,215	17,139	4,906	43,038
Depreciation	567	8,895	567	945	567	567	12,108
Insurance	1,923	3,408	1,789	6,419	1,909	2,003	17,451
Interest	85	85	85	141	85	85	566
Broadcast	102,310	35,499	-	-	-	-	137,809
Marketing and promotion	-	-	103,946	-	100,883	-	204,829
Miscellaneous	562	562	562	937	5,869	635	9,127
	<u>\$ 173,131</u>	<u>\$ 79,256</u>	<u>\$ 163,130</u>	<u>\$ 103,109</u>	<u>\$ 188,699</u>	<u>\$ 78,821</u>	<u>\$ 786,146</u>