

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

**FINANCIAL REPORT**

**June 30, 2015**

**BUCKNO  
LISICKY**   
**& COMPANY**

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*A Professional Corporation*

**Certified Public Accountants | Business Consultants**

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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, 2015 and 2014, 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, 2015 and 2014, 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  
December 23, 2015

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

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2015 and 2014**

<b>ASSETS</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>CURRENT ASSETS</b>		
Cash	\$ 50	\$ 50
Investments	2,639	-
Accounts receivable, trade	42,624	50,013
Promises to give	1,000	10,750
Prepaid expenses	<u>12,671</u>	<u>13,226</u>
 Total current assets	 <u>58,984</u>	 <u>74,039</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	61,438	61,438
Radio/electronic equipment	382,055	376,469
Music library	29,183	29,183
Office equipment	36,847	33,493
Furniture and fixtures	<u>14,710</u>	<u>14,710</u>
	524,233	515,293
Less accumulated depreciation	<u>449,105</u>	<u>431,901</u>
 Property and equipment, net	 <u>75,128</u>	 <u>83,392</u>
<b>NONCURRENT ASSETS</b>		
Deposits	2,064	2,064
Cash restricted for long-term purposes	70,395	5,165
Investments restricted for long-term purposes	<u>4,749</u>	<u>-</u>
 Total noncurrent assets	 <u>77,208</u>	 <u>7,229</u>
 Total assets	 <u><u>\$ 211,320</u></u>	 <u><u>\$ 164,660</u></u>

See Notes to Financial Statements.

<b>LIABILITIES AND NET ASSETS</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
<b>CURRENT LIABILITIES</b>		
Note payable, bank	\$ 9,000	\$ 44,000
Accrued expenses and other liabilities	36,773	31,771
Deferred revenue	<u>31,442</u>	<u>38,385</u>
Total current liabilities	<u>77,215</u>	<u>114,156</u>
Total liabilities	<u>77,215</u>	<u>114,156</u>
<b>NET ASSETS</b>		
Unrestricted	40,242	22,046
Temporarily restricted	<u>93,863</u>	<u>28,458</u>
Total net assets	134,105	50,504
Total liabilities and net assets	<u>\$ 211,320</u>	<u>\$ 164,660</u>

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

**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2015 and 2014**

	<b>2015</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions:			
Cash	\$ 172,937	\$ 69,929	\$ 242,866
In kind	3,323	-	3,323
Memberships	177,249	-	177,249
Program underwriting:			
Cash	171,487	-	171,487
In kind	239,281	-	239,281
Fund raising revenue	18,555	-	18,555
Investment return	(20)	24	4
Miscellaneous	1,495	-	1,495
Net assets released from restrictions:			
Satisfaction of program restrictions	4,548	(4,548)	-
	<u>788,855</u>	<u>65,405</u>	<u>854,260</u>
Total revenues and other support			
	<u>788,855</u>	<u>65,405</u>	<u>854,260</u>
<b>EXPENSES</b>			
Program services:			
Programming and production	168,146	-	168,146
Broadcasting and engineering	80,411	-	80,411
Program information and promotion	165,024	-	165,024
Support services:			
Management and general	98,752	-	98,752
Fund raising and membership development	195,762	-	195,762
Underwriting and grant solicitation	62,564	-	62,564
	<u>770,659</u>	<u>-</u>	<u>770,659</u>
Total expenses			
	<u>770,659</u>	<u>-</u>	<u>770,659</u>
<b>CHANGE IN NET ASSETS</b>	18,196	65,405	83,601
<b>NET ASSETS, BEGINNING</b>	<u>22,046</u>	<u>28,458</u>	<u>50,504</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 40,242</u>	<u>\$ 93,863</u>	<u>\$ 134,105</u>

See Notes to Financial Statements.

<b>2014</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 159,113	\$ 2,144	\$ 161,257
9,668	-	9,668
159,485	-	159,485
168,009	-	168,009
232,178	-	232,178
21,140	-	21,140
5	165	170
766	-	766
<u>12,348</u>	<u>(12,348)</u>	<u>-</u>
<u>762,712</u>	<u>(10,039)</u>	<u>752,673</u>
175,283	-	175,283
82,728	-	82,728
163,271	-	163,271
100,568	-	100,568
196,788	-	196,788
<u>67,521</u>	<u>-</u>	<u>67,521</u>
<u>786,159</u>	<u>-</u>	<u>786,159</u>
(23,447)	(10,039)	(33,486)
<u>45,493</u>	<u>38,497</u>	<u>83,990</u>
<u>\$ 22,046</u>	<u>\$ 28,458</u>	<u>\$ 50,504</u>



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

**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 83,601	\$ (33,486)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	17,204	20,650
Donated investments	(7,617)	-
Unrealized loss on investments	229	-
(Increase) decrease in assets:		
Accounts receivable	7,389	2,984
Promises to give	9,750	2,250
Prepaid expenses	555	(1,209)
Increase (decrease) in liabilities:		
Accrued expenses and other liabilities	5,002	(2,453)
Deferred revenue	<u>(6,943)</u>	<u>(5,459)</u>
Net cash provided by (used in) operating activities	<u>109,170</u>	<u>(16,723)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in cash restricted for long-term purposes	(65,230)	(2,309)
Purchase of property and equipment	<u>(8,940)</u>	<u>(1,518)</u>
Net cash used in investing activities	<u>(74,170)</u>	<u>(3,827)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in notes payable, bank	<u>(35,000)</u>	<u>20,000</u>
Net cash provided by (used in) financing activities	<u>(35,000)</u>	<u>20,000</u>
Net decrease in cash	-	(550)
<b>CASH:</b>		
Beginning	<u>50</u>	<u>600</u>
Ending	<u>\$ 50</u>	<u>\$ 50</u>
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash payments for:		
Interest	<u>\$ 1,702</u>	<u>\$ 3,071</u>

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, 2015 and 2014.

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

# LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

are reported as restricted support. Absent explicit donor stipulations about how those 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 \$242,604 and \$241,846 for the years ended June 30, 2015 and 2014.

### **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 2011, 2012, 2013 and 2014 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 December 23, 2015, the date which the financial statements were available to be issued.

### **Note 3. Investments**

Investments as of June 30, 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, 2015</u>			
Unrestricted:			
Common stock	\$ <u>2,688</u>	\$ <u>2,639</u>	\$ <u>(49)</u>
Restricted:			
Common stock	\$ <u>4,929</u>	\$ <u>4,749</u>	\$ <u>(180)</u>

The Association had no investments as of June 30, 2014.

The components of investment return as of June 30, 2015 and 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>June 30, 2015</u>			
Interest and dividends	\$ 29	\$ 204	\$ 233
Net unrealized losses	<u>(49)</u>	<u>(180)</u>	<u>(229)</u>
	<u>\$ (20)</u>	<u>\$ 24</u>	<u>\$ 4</u>
 <u>June 30, 2014</u>			
Interest and dividends	<u>\$ 5</u>	<u>\$ 165</u>	<u>\$ 170</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, 2015 and 2014 are due as follows:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 1,000	\$ 9,750
One year to three years	<u>-</u>	<u>1,000</u>
	<u>\$ 1,000</u>	<u>\$ 10,750</u>

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

**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, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Cash:		
Future endowment	\$ 5,370	\$ 5,165
Equipment for power increase	<u>65,025</u>	<u>-</u>
	<u>\$ 70,395</u>	<u>\$ 5,165</u>
Investments:		
Equipment for power increase	<u>\$ 4,749</u>	<u>\$ -</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 an outstanding balance of \$9,000 and \$44,000 on the line of credit as of June 30, 2015 and 2014, respectively. Interest expense for the years ended June 30, 2015 and 2014 was \$1,702 and \$3,071, respectively.

**Note 7. Operating Leases**

The Association rents building space and antenna space on a transmission tower under operating lease agreements. The minimum future lease payments, including utilities reimbursement, under the operating leases are as follows:

Years Ending <u>June 30,</u>	
2016	\$ 54,259
2017	45,941
2018	45,988
2019	<u>19,787</u>
	<u>\$ 165,975</u>

The lease commitment schedule above is adjusted for the renewal of the Association's building lease subsequent to June 30, 2015 as disclosed in Note 12.

Rent expense, including the utility reimbursement, under the operating lease agreements is \$64,222 and \$62,920 for the years ended June 30, 2015 and 2014.

LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

**Note 8. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of June 30, 2015 and 2014 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Federally funded equipment for use in accordance with a grant agreement, net of accumulated depreciation	\$ 17,745	\$ 21,293
Equipment for power increase	69,748	-
Future expenditures	1,000	2,000
Building-to-endowment	<u>5,370</u>	<u>5,165</u>
	<u>\$ 93,863</u>	<u>\$ 28,458</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% and 13% of the Association's revenue and other support for the years ended June 30, 2015 and 2014, respectively, 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, 2015 are as follows:

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

<u>June 30, 2015</u>	<u>Fair Value</u>	<u>(Level 1)</u>
Unrestricted:		
Common stock	<u>\$ 2,639</u>	<u>\$ 2,639</u>
Restricted:		
Common stock	<u>\$ 4,749</u>	<u>\$ 4,749</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 12. Subsequent Event**

On December 1, 2015, the Association reached an agreement to renew its current building lease. The new lease has an initial term of three years beginning December 1, 2015 and extends until November 2018. Annual rent for the lease is \$45,000 per lease year. The lease contains two additional one year renewal options at the same per year rent amount. The operating lease commitment schedule in Note 7 reflects the adjustment for this new lease agreement.



LEHIGH VALLEY COMMUNITY BROADCASTERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

**Note 13. 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.

	<b>Year Ended</b>		
	<b>Program Services</b>		
	<b>Programming and Production</b>	<b>Broadcasting and Engineering</b>	<b>Program Information and Promotion</b>
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>

	<b>Year Ended</b>		
Salaries and benefits	\$ 54,124	\$ 11,956	\$ 41,598
Professional fees	1,100	8,662	645
Occupancy	6,412	6,412	6,412
Office	3,590	3,519	3,654
Depreciation	1,080	14,531	1,080
Insurance	1,660	2,927	1,536
Interest	461	461	461
Broadcast	105,978	33,382	-
Marketing and promotion	-	-	107,007
Miscellaneous	878	878	878
	<u>\$ 175,283</u>	<u>\$ 82,728</u>	<u>\$ 163,271</u>

June 30, 2015

<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>
\$ 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
<u>1,143</u>	<u>13,734</u>	<u>684</u>	<u>17,613</u>
<u>\$ 98,752</u>	<u>\$ 195,762</u>	<u>\$ 62,564</u>	<u>\$ 770,659</u>

June 30, 2014

\$ 62,898	\$ 53,647	\$ 52,333	\$ 276,556
9,852	1,199	645	22,103
10,687	6,412	6,412	42,747
7,139	10,182	4,058	32,142
1,800	1,080	1,080	20,651
5,559	1,665	1,654	15,001
766	461	461	3,071
-	-	-	139,360
-	102,751	-	209,758
<u>1,867</u>	<u>19,391</u>	<u>878</u>	<u>24,770</u>
<u>\$ 100,568</u>	<u>\$ 196,788</u>	<u>\$ 67,521</u>	<u>\$ 786,159</u>