

WESM 91.3 FM

(A Public Telecommunications Entity Operated by the University of Maryland Eastern Shore)

Financial Statements

June 30, 2016 and 2015

Malvin, Riggins & Company, P.C.

Certified Public Accountants

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WESM 91.3 FM

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INDEPENDENT AUDITORS' REPORT

University President and Vice-President of Institutional Advancement
University of Maryland Eastern Shore
WESM 91.3 FM
Princess Anne, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of WESM 91.3 FM, which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues and expenses and change in net position, 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 and the standards applicable to financial audits contained on "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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.

Auditors' Responsibility, continued

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, to the financial position of WESM 91.3 FM, as of June 30, 2016 and 2015, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated January 12, 2017 on our consideration of WESM 91.3 FM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of our testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering WESM 91.3 FM's internal control over financial reporting and compliance.

Malvin, Diggins + Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Baltimore, Maryland
January 12, 2017

WESM 91.3 FM

(A Public Telecommunications Entity Operated by the University of Maryland Eastern Shore)

Management's Discussion and Analysis (MD&A)

June 30, 2016

The following discussion and analysis is an overview of the financial position and activities of WESM 91.3 FM (WESM) for the year ended June 30, 2016. Please read this document in conjunction with the information contained in the WESM financial statements which are part of this document.

Financial Highlights

WESM's assets exceeded liabilities at the close of fiscal year 2016 by \$35,207, which represents an increase of \$3,952 from last fiscal year.

WESM's operating revenues increased approximately \$38,400 and operating expenses increased approximately \$34,300. The increase in revenues before University support of operating expenses, of approximately \$20,000, can be attributed to increased underwriting fees and contributions and grants. The increase in operating expenses was primarily related to payroll and equipment and technology increases.

Overview of the Financial Statements

These financial statements consist of two sections:

1. Management's Discussion and Analysis (this section) and
2. The basic financial statements (including the notes to the financial statements).

These statements are prepared in conformity with Government Accounting Standards Board Statement No. 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities.

Basic Financial Statements

The basic financial statements present information for WESM as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statements of Net Position, the Statements of Revenues and Expense and Change in Net Position, and the Statements of Cash Flows.

The Statements of Net Position present the assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of WESM is improving or deteriorating.

WESM 91.3 FM

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Management's Discussion and Analysis (MD&A)

June 30, 2016

Basic Financial Statements, continued

The Statements of Revenues and Expenses and Changes in Net Position presents information showing how WESM's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods. The Statements of Cash Flows present information showing how WESM's cash changed as a result of current year operations. The cash flow statement is prepared using the indirect method and includes the reconciliation of change in net position to net cash provided (used) by operating activities.

Capital Assets

As of June 30, 2016, WESM had received \$290,935 in capital assets, and had incurred accumulated depreciation of \$273,999. Capital assets consist of WESM's building and equipment.

Economic Factors and Next Year's Operations

WESM's management considered the following factors and indicators when planning next year's operations:

1. WESM is still in the process of implementing a number of recommendations that were put forth by a third-party public radio consulting firm as a result of a strategic analysis for the purpose of assisting the station in improving programming and operations, as well as re-orienting its mission. Additionally, the consultation was designed to research and address declining listenership and membership revenues.
2. As part of the above consultation, WESM has pursued and is pursuing options for partnering with other media organizations. The station did have a partnership with WYPR in Baltimore, Maryland, sharing a program they produced called "Maryland Morning" until they ended production. WESM is exploring what is known as the Chesapeake Journalism Collaborative - an organization in which various stations along the Chesapeake Bay watershed contributing a series of stories to be aired by the stations of the Collaborative. Management still strongly believes signal expansion is the stations' most critical goal to achieve in order to grow WESM's audience and revenue growth.

WESM 91.3 FM

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Management's Discussion and Analysis (MD&A)

June 30, 2016

Economic Factors and Next Year's Operations, continued

3. Management continues to propose a master budget plan for each fiscal year, which is presented to the station governance. The annual budget proposal is used for strategic planning purposes, and additionally helps station management develop a consistent monitoring baseline for its non-salary operating budget.
4. While WESM did have a part-time development person for a short time, the station still needs to procure a development position in the near future, either as a direct hire, or through a partnership with another organization with the aim of improving opportunities to increase underwriting and membership support from the community.

Contacting WESM Management

This financial report is designed to provide WESM's financial supporters and listeners with a general overview of WESM's finances and to show WESM's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Brian Daniels, Interim General Manager, WESM 91.3 FM, University of Maryland Eastern Shore, College Backbone Road, Princess Anne, Maryland, 21853.

WESM 91.3 FM*(A Public Telecommunications Entity Operated by the University of Maryland Eastern Shore)***Statements of Net Position****June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 219,057	\$ 220,407
Prepaid expenses and deposits	16,843	20,356
Property and equipment - net	<u>16,936</u>	<u>22,174</u>
Total assets	<u>252,836</u>	<u>262,937</u>
LIABILITIES		
Accounts payable	3,623	8,322
Deferred revenue	<u>214,006</u>	<u>223,360</u>
Total liabilities	<u>217,629</u>	<u>231,682</u>
NET POSITION		
Net investment in capital assets	16,936	22,174
Unrestricted -		
Available for general activities	<u>18,271</u>	<u>9,081</u>
Total net position	<u>\$ 35,207</u>	<u>\$ 31,255</u>

See the independent auditors' report and accompanying notes.

WESM 91.3 FM*(A Public Telecommunications Entity Operated by the University of Maryland Eastern Shore)***Statements of Revenues and Expenses and Change in Net Position****Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Operating revenues, gains, and other support:		
Underwriting	\$ 20,292	\$ 9,826
Public Support:		
Contributions and grants	187,172	177,384
Corporate and public donations	18,489	18,850
Total public support	<u>205,661</u>	<u>196,234</u>
Other operating revenue -		
University support of operating expenses	348,373	329,889
Total other revenue	<u>348,373</u>	<u>329,889</u>
Total operating revenues, gains and other support	<u>574,326</u>	<u>535,949</u>
Operating expenses:		
Payroll and payroll related	321,392	312,304
University administrative support	28,255	25,030
Programming fees	125,679	123,201
Equipment maintenance and repair	21,710	22,687
Association dues	3,684	2,741
Office expenses	11,802	10,691
Equipment and technology	25,297	6,458
Professional fees	17,984	19,690
Advertising	5,717	5,883
Travel	1,209	467
Other supplies	2,407	1,717
	<u>565,136</u>	<u>530,869</u>
Change in net position before depreciation	9,190	5,080
Depreciation	<u>5,238</u>	<u>5,227</u>
Change in net position	3,952	(147)
Net position - beginning of year	<u>31,255</u>	<u>31,402</u>
Net position - end of year	<u>\$ 35,207</u>	<u>\$ 31,255</u>

See the independent auditors' report and accompanying notes.

WESM 91.3 FM*(A Public Telecommunications Entity Operated by the University of Maryland Eastern Shore)*

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net position	\$ 3,952	\$ (147)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	5,238	5,227
(Increase) decrease in:		
Prepaid expenses and deposits	3,513	(2,454)
Increase (decrease) in:		
Accounts payable	(4,699)	(1,683)
Deferred revenue	<u>(9,354)</u>	<u>2,431</u>
Net cash (used in) provided by operating activities	<u>(1,350)</u>	<u>3,374</u>
Net (decrease) increase in cash	(1,350)	3,374
Cash - beginning of year	<u>220,407</u>	<u>217,033</u>
Cash - end of year	<u><u>\$ 219,057</u></u>	<u><u>\$ 220,407</u></u>

See the independent auditors' report and accompanying notes.

WESM 91.3 FM

(A Public Telecommunications Entity Operated by the University of Maryland Eastern Shore)

Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

WESM 91.3 FM (The Station) is a public radio station owned and operated by the University of Maryland Eastern Shore (UMES) in Princess Anne, Maryland, under a license granted by the Federal Communications Commission (FCC). The Station serves the tri-state area of Maryland, Virginia, and Delaware on the Delmarva Peninsula, as well as portions of Maryland and Virginia located across the Chesapeake Bay.

The mission of The Station is to broadcast programs of intellectual integrity and cultural merit.

Basis of Presentation

For financial reporting purposes, The Station is considered a special-purpose government engaged only in business-type activities. Accordingly, The Station's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting.

Financial Statement Presentation

The Station follows Governmental Accounting Standards Board (GASB) Statement 35, Basic Financial Statements. Under the provisions of GASB 35, resources are classified for accounting and reporting purposes into the following four net position categories:

Invested in capital assets, net of related debt - Capital assets, net of accumulated depreciation, outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets, and unspent borrowings.

Restricted nonexpendable - Net position subject to externally imposed stipulations that they be maintained permanently by The Station. Such assets include permanent endowment funds.

Restricted expendable - Net position whose use by The Station is subject to externally imposed stipulations that can be fulfilled by actions of The Station pursuant to those stipulations or that expire by the passage of time.

Unrestricted - Net position that is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management, Board of Trustees, Board of Regents, or may otherwise be limited by contractual agreements with outside parties.

WESM 91.3 FM

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Notes to Financial Statements

June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as unrestricted, restricted expendable, and restricted nonexpendable depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net position if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in restricted expendable or restricted nonexpendable net position, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted expendable net position are reclassified to unrestricted net position and reported in the statement of activities and change in net position as net position released from restrictions.

Property and Equipment

The Station capitalizes substantial expenditures for property and equipment having a useful life of five (5) or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful life of five (5) - thirty-nine (39) years using the straight-line method. The Station uses the direct expensing method to account for planned major maintenance activities.

Donated Services

The Station recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Impairment of Long-Lived Assets

The Station reviews its property and intangible licenses for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended June 30, 2016 and 2015.

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Notes to Financial Statements

June 30, 2016 and 2015

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June30,:

	<u>2016</u>	<u>2015</u>
Building	\$ 41,306	\$ 41,306
Radio equipment	170,071	170,071
Office furniture and equipment	<u>79,558</u>	<u>79,558</u>
	290,935	290,935
Less accumulated depreciation	<u>273,999</u>	<u>268,761</u>
	<u>\$ 16,936</u>	<u>\$ 22,174</u>

NOTE 6 - CONCENTRATIONS

The Station is supported by a grant from the Center for Public Broadcasting (CPB), public support, and underwriting. In addition, UMES provides personnel, administrative support and facilities. For the years ended June 30, 2016 and 2015, approximately 33% and 33% of the Station's support was provided by CPB and 61% and 62%.

The Station purchases a significant amount of programming through National Public Radio (NPR). During the years ended June 30, 2016 and 2015, purchases from NPR comprised approximately 38% and 23% of programming purchases, respectively.

NOTE 7 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date the financial statements were available to be issued on January 12, 2017, and determined there are no material transactions to disclose.