



WIAA-FM
Interlochen Center for the Arts

Financial Statements
Years Ended May 31, 2014 and 2013

WIAA-FM
Interlochen Center for the Arts

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**WIAA-FM
Interlochen Center for the Arts**

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Independent Auditor's Report

Board of Trustees
WIAA-FM
Interlochen Center for the Arts
Interlochen, Michigan

We have audited the accompanying financial statements of WIAA-FM, Interlochen Center for the Arts, which comprise the statements of financial position as of May 31, 2014 and 2013, the related statements of activities, functional expenses 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.

Auditor's 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WIAA-FM, Interlochen Center for the Arts as of May 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

December 12, 2014

Financial Statements

WIAA-FM
Interlochen Center for the Arts
Statements of Financial Position

<i>May 31,</i>	2014	2013
Assets		
Current Assets		
Investments (Note 1)	\$ 1,245,999	\$ 1,145,135
Accounts receivable	40,549	43,088
Total Current Assets	1,286,548	1,188,223
Property and Equipment, net (Note 2)	785,814	846,778
Other Assets (Note 1)	994,178	994,178
Total Assets	\$ 3,066,540	\$ 3,029,179
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable and accruals	\$ 27,889	\$ 28,440
Advances	12,121	16,066
Total Current Liabilities	40,010	44,506
Net Assets	3,026,530	2,984,673
Total Liabilities and Net Assets	\$ 3,066,540	\$ 3,029,179

See accompanying independent auditor's report and notes to financial statements.

WIAA-FM
Interlochen Center for the Arts
Statements of Activities

<i>Year ended May 31,</i>	2014	2013
Support and Revenue		
Donated facilities and administrative support from Interlochen Center for the Arts	\$ 1,250,284	\$ 1,311,757
Community service and advertising grant from the Corporation for Public Broadcasting	267,582	271,696
Contributions	824,999	813,005
Program underwriting	247,979	275,227
Capital campaign proceeds	16,871	74,175
Other income	125,300	70,513
Total support and revenue	2,733,015	2,816,373
Expenses		
Program services:		
Programming and production	642,132	711,073
Broadcasting	252,684	255,313
Program information	3,010	1,935
Total program services	897,826	968,321
Supporting services:		
Fundraising and membership development	250,550	262,064
Management and general	1,475,780	1,501,937
Depreciation	67,002	67,768
Total supporting services	1,793,332	1,831,769
Total expenses	2,691,158	2,800,090
Increase in Net Assets	41,857	16,283
Net Assets, beginning of year	2,984,673	2,968,390
Net Assets, end of year	\$ 3,026,530	\$ 2,984,673

See accompanying independent auditor's report and notes to financial statements.

WIAA-FM
Interlochen Center for the Arts
Statement of Functional Expenses

<i>Year ended May 31, 2014</i>	Program Services				Supporting Services				Total Expenses
	Programming and Production	Broadcasting	Program Information	Total	Fundraising and Membership Development	Management and General	Depreciation	Total	
Salaries, payroll taxes and benefits	\$ 251,980	\$ 149,353	\$ -	\$ 401,333	\$ 194,775	\$ 1,001,646	\$ -	\$ 1,196,421	\$ 1,597,754
Program production and acquisition costs	390,152	-	-	390,152	3,497	66,531	-	70,028	460,180
Occupancy expense	-	73,527	-	73,527	4,065	121,060	-	125,125	198,652
Professional services	-	-	-	-	2,949	70,628	-	73,577	73,577
Production materials and supplies	-	26,754	-	26,754	616	7,524	-	8,140	34,894
Advertising	-	-	-	-	8,702	8,937	-	17,639	17,639
Printing and publications	-	-	-	-	450	176	-	626	626
Postage and shipping	-	-	3,010	3,010	6,514	7,559	-	14,073	17,083
Communications	-	-	-	-	6,669	39,647	-	46,316	46,316
Rental and maintenance of equipment	-	-	-	-	4,399	60,898	-	65,297	65,297
Meetings, travel and conferences	-	-	-	-	15,770	48,581	-	64,351	64,351
Insurance	-	3,050	-	3,050	-	36,565	-	36,565	39,615
Office supplies	-	-	-	-	2,144	6,028	-	8,172	8,172
Depreciation	-	-	-	-	-	-	67,002	67,002	67,002
Total	\$ 642,132	\$ 252,684	\$ 3,010	\$ 897,826	\$ 250,550	\$ 1,475,780	\$ 67,002	\$ 1,793,332	\$ 2,691,158

See accompanying independent auditor's report and notes to financial statements.

WIAA-FM
Interlochen Center for the Arts
Statement of Functional Expenses

<i>Year ended May 31, 2013</i>	Program Services				Supporting Services				Total Expenses
	Programming and Production	Broadcasting	Program Information	Total	Fundraising and Membership Development	Management and General	Depreciation	Total	
Salaries, payroll taxes and benefits	\$ 278,080	\$ 162,229	\$ -	\$ 440,309	\$ 211,658	\$ 1,023,530	\$ -	\$ 1,235,188	\$ 1,675,497
Program production and acquisition costs	432,993	-	-	432,993	1,878	75,889	-	77,767	510,760
Occupancy expense	-	74,662	-	74,662	2,190	120,472	-	122,662	197,324
Professional services	-	-	-	-	-	60,040	-	60,040	60,040
Production materials and supplies	-	15,547	-	15,547	1,279	9,833	-	11,112	26,659
Advertising	-	-	-	-	10,533	3,589	-	14,122	14,122
Printing and publications	-	-	-	-	84	-	-	84	84
Postage and shipping	-	-	1,935	1,935	8,448	6,146	-	14,594	16,529
Communications	-	-	-	-	6,744	37,567	-	44,311	44,311
Rental and maintenance of equipment	-	-	-	-	2,377	65,598	-	67,975	67,975
Meetings, travel and conferences	-	-	-	-	15,485	50,175	-	65,660	65,660
Insurance	-	2,875	-	2,875	-	39,756	-	39,756	42,631
Office supplies	-	-	-	-	1,388	9,342	-	10,730	10,730
Depreciation	-	-	-	-	-	-	67,768	67,768	67,768
Total	\$ 711,073	\$ 255,313	\$ 1,935	\$ 968,321	\$ 262,064	\$ 1,501,937	\$ 67,768	\$ 1,831,769	\$ 2,800,090

See accompanying independent auditor's report and notes to financial statements.

**WIAA-FM
Interlochen Center for the Arts**

Statements of Cash Flows

<i>Year ended May 31,</i>	2014	2013
Cash Flows From (for) Operating Activities		
Increase in net assets	\$ 41,857	\$ 16,283
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	67,002	67,768
Decrease (increase) in accounts receivable	2,539	(1,380)
Decrease in accounts payable and accruals	(551)	(7,851)
Decrease in advances	(3,945)	(6,692)
Net cash from operating activities	106,902	68,128
Cash Flows for Investing Activities		
Property and equipment acquisition	(6,038)	(36,604)
Net increase in investments	(100,864)	(31,524)
Net cash for investing activities	(106,902)	(68,128)
Net Change in Cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

See accompanying independent auditor's report and notes to financial statements.

WIAA-FM
Interlochen Center for the Arts
Notes to Financial Statements

1. Nature of Organization and Significant Accounting Policies

General

WIAA-FM (the Station) is a public radio station owned and operated by Interlochen Center for the Arts (the Center). The Station is organized for the purpose of providing entertainment and informational programming to listeners in Northern Michigan. The Station does not have separate legal status or existence. The financial position and activities of the Station are included in the financial statements of the Center.

Basis of Presentation

The Station prepares its financial statements in accordance with the accounting principles generally accepted in the United States of America as outlined in the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Not-for-Profit Organizations* and the Corporation for Public Broadcasting publication, *Principles of Accounting and Financial Reporting for Public Telecommunications Entities*.

Fund Classifications

Net assets of the Station are classified as unrestricted, temporarily restricted or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Station's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. All net assets were classified as unrestricted for the years ended May 31, 2014 and 2013.

Investments

The investment balance represents the Station's share of the pooled investments balance of the Center. Securities invested on behalf of the Station are not separately reported. Investments are stated at fair value. The Station shares equally in the earnings of the portfolio. Investment income is accrued as earned.

Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at market value at the date of donation and, excluding land, are depreciated over their estimated useful lives using the straight-line depreciation method. Estimated useful lives used for depreciation are 3 to 45 years.

WIAA-FM
Interlochen Center for the Arts
Notes to Financial Statements

Other Assets

Others assets include broadcasting licenses for three FM stations, as follows:

<i>May 31,</i>	2014	2013
88.5 MHz - Mackinaw City, Michigan	\$ 496,600	\$ 496,600
89.7 MHz - Manistee, Michigan	215,065	215,065
90.1 MHz - Harbor Springs, Michigan	282,513	282,513
Total Broadcasting Licenses	\$ 994,178	\$ 994,178

The broadcasting licenses have been deemed to have an indefinite useful life. The Center tests the broadcasting licenses for impairment annually, or more frequently if events or changes in circumstances indicate a possibility or impairment.

Donated Facilities and Administrative Support From Interlochen Center for the Arts

Donated facilities and administrative support from the Center represents an allocation of common services that the Center provides to the Station. The allocation of these services is based on a formula that was agreed upon by the Center and the Station.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of financial activity. Accordingly, certain costs are allocated among program and supporting services, based on total personnel costs of other systematic bases. The method used is reasonable; however, other methods could produce different results.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 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.

Revenue Recognition

Contributions of cash and other assets are reported as revenue when received, measured at fair value. Capital campaign contributions are recognized as they are expended for their intended purposes. Grants are recorded as support, and revenue is recognized when all applicable financial reimbursement criteria have been met. Underwriting revenue is support for programs and events and is recognized as the programs and events occur.

Subsequent Events

The financial statements and related disclosures include evaluation of events up to and through December 12, 2014, which is the date the financial statements were available to be issued.

WIAA-FM
Interlochen Center for the Arts

Notes to Financial Statements

2. Property and Equipment

Property and equipment is summarized as follows:

<i>May 31,</i>	2014	2013
Buildings	\$ 1,001,238	\$ 1,001,238
Broadcasting equipment	2,077,691	2,071,653
Furniture and equipment	66,766	66,766
	<u>3,145,695</u>	<u>3,139,657</u>
Less accumulated depreciation	<u>(2,359,881)</u>	<u>(2,292,879)</u>
Net Property and Equipment	\$ 785,814	\$ 846,778

3. Retirement Plan

The Station has a defined contribution retirement plan (through the Center) for all eligible employees. Employer contributions are discretionary and are based on a percentage of employee compensation for the year. Costs accrued under the plan are funded to a trust on a current basis. The Station's portion of these retirement costs for the years ended May 31, 2014 and 2013 were \$50,689 and \$52,233, respectively.

4. Income Tax Status

The Station, through the Center, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Center is subject to unrelated business income tax (UBIT), which management allocates solely to the Station. UBIT was approximately \$27,100 and \$12,000 for the years ended May 31, 2014 and 2013, respectively.

Accounting principles generally accepted in the United States of America require management to evaluate certain tax positions taken by the Center and recognize a tax liability if the Center has taken as uncertain tax position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Center and has concluded that as of May 31, 2014 and 2013 there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods in progress. The Center believes it is no longer subject to examinations prior to May 31, 2011.