



WIAA-FM
Interlochen Center for the Arts

Financial Statements
Years Ended May 31, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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

January 9, 2017

Financial Statements

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

<i>May 31,</i>	2016	2015
Assets		
Current Assets		
Investments held by Interlochen Center for the Arts	\$ 1,451,722	\$ 1,440,995
Accounts receivable	22,123	16,397
Total Current Assets	1,473,845	1,457,392
Property and Equipment, net (Note 2)	893,962	732,533
Other Assets (Note 1)	994,178	994,178
Total Assets	\$ 3,361,985	\$ 3,184,103
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable and accruals	\$ 34,730	\$ 41,958
Advances	10,868	9,565
Total Current Liabilities	45,598	51,523
Net Assets	3,316,387	3,132,580
Total Liabilities and Net Assets	\$ 3,361,985	\$ 3,184,103

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>	2016	2015
Support and Revenue		
Donated facilities and administrative support from		
Interlochen Center for the Arts	\$ 1,308,345	\$ 1,277,876
Community service and advertising grant from the		
Corporation for Public Broadcasting	265,301	286,329
Contributions	775,090	809,708
Program underwriting	245,943	233,255
Capital campaign proceeds	267,554	87,920
Contributions from Interlochen Center for the Arts	45,421	-
Other income	98,121	99,765
Total support and revenue	3,005,775	2,794,853
Expenses		
Program services:		
Programming and production	674,833	613,404
Broadcasting	241,780	243,068
Program information	1,071	3,176
Total program services	917,684	859,648
Supporting services:		
Fundraising and membership development	271,908	250,504
Management and general	1,548,625	1,510,399
Depreciation	83,751	68,252
Total supporting services	1,904,284	1,829,155
Total expenses	2,821,968	2,688,803
Increase in Net Assets	183,807	106,050
Net Assets, beginning of year	3,132,580	3,026,530
Net Assets, end of year	\$ 3,316,387	\$ 3,132,580

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, 2016</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	\$ 265,814	\$ 174,377	\$ -	\$ 440,191	\$ 219,713	\$ 1,043,209	\$ -	\$ 1,262,922	\$ 1,703,113
Program production and acquisition costs	409,019	-	-	409,019	7,214	105,566	-	112,780	521,799
Occupancy expense	-	45,002	-	45,002	1,309	128,774	-	130,083	175,085
Professional services	-	-	-	-	697	56,649	-	57,346	57,346
Production materials and supplies	-	19,351	-	19,351	300	9,405	-	9,705	29,056
Advertising	-	-	-	-	-	3,517	-	3,517	3,517
Printing and publications	-	-	-	-	739	2	-	741	741
Postage and shipping	-	-	1,071	1,071	17,802	2,137	-	19,939	21,010
Communications	-	-	-	-	5,713	25,398	-	31,111	31,111
Rental and maintenance of equipment	-	-	-	-	1,487	97,010	-	98,497	98,497
Meetings, travel and conferences	-	-	-	-	15,094	36,811	-	51,905	51,905
Insurance	-	3,050	-	3,050	-	41,878	-	41,878	44,928
Office supplies	-	-	-	-	1,840	(1,731)	-	109	109
Depreciation	-	-	-	-	-	-	83,751	83,751	83,751
Total	\$ 674,833	\$ 241,780	\$ 1,071	\$ 917,684	\$ 271,908	\$ 1,548,625	\$ 83,751	\$ 1,904,284	\$ 2,821,968

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, 2015</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	\$ 243,190	\$ 160,367	\$ -	\$ 403,557	\$ 191,140	\$ 1,035,030	\$ -	\$ 1,226,170	\$ 1,629,727
Program production and acquisition costs	370,214	-	-	370,214	8,560	55,993	-	64,553	434,767
Occupancy expense	-	66,705	-	66,705	4,327	117,832	-	122,159	188,864
Professional services	-	-	-	-	12,537	82,564	-	95,101	95,101
Production materials and supplies	-	12,946	-	12,946	1,254	8,237	-	9,491	22,437
Advertising	-	-	-	-	4,368	2,234	-	6,602	6,602
Printing and publications	-	-	-	-	261	230	-	491	491
Postage and shipping	-	-	3,176	3,176	7,126	9,356	-	16,482	19,658
Communications	-	-	-	-	6,886	41,182	-	48,068	48,068
Rental and maintenance of equipment	-	-	-	-	429	45,063	-	45,492	45,492
Meetings, travel and conferences	-	-	-	-	11,892	44,405	-	56,297	56,297
Insurance	-	3,050	-	3,050	-	40,339	-	40,339	43,389
Office supplies	-	-	-	-	1,724	27,934	-	29,658	29,658
Depreciation	-	-	-	-	-	-	68,252	68,252	68,252
Total	\$ 613,404	\$ 243,068	\$ 3,176	\$ 859,648	\$ 250,504	\$ 1,510,399	\$ 68,252	\$ 1,829,155	\$ 2,688,803

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>	2016	2015
Cash Flows From Operating Activities		
Increase in net assets	\$ 183,807	\$ 106,050
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	83,751	68,252
(Increase) decrease in accounts receivable	(5,726)	24,152
(Decrease) increase in accounts payable and accruals	(7,228)	14,069
Increase (decrease) in advances	1,303	(2,556)
Net cash from operating activities	255,907	209,967
Cash Flows for Investing Activities		
Property and equipment acquisition	(245,180)	(14,971)
Net increase in investments held by Interlochen Center for the Arts	(10,727)	(194,996)
Net cash for investing activities	(255,907)	(209,967)
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, 2016 and 2015.

Investments Held by Interlochen Center for the Arts

The investment balance represents the Station's share of the pooled investments balance of the Center and represents the amount the Center would owe the Station if they decided to no longer participate in the investment pool. All securities are owned by the Center. Investments are stated at fair value on the financial statements of the Center. The Station shares equally in the earnings of the portfolio. Investment income is accrued as earned.

Investment securities held by the Center 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
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Notes to Financial Statements

Other Assets

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

<i>May 31,</i>	2016	2015
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 of 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 functional expenses. Accordingly, certain costs are allocated among program and supporting services, based on total personnel costs or 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 by the Station as they are expended for their intended purposes by the Center on behalf of the Station. 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 January 9, 2017, which is the date the financial statements were available to be issued.

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Notes to Financial Statements

2. Property and Equipment

Property and equipment is summarized as follows:

<i>May 31,</i>	2016	2015
Buildings	\$ 1,030,598	\$ 1,001,238
Broadcasting equipment	2,308,482	2,092,662
Furniture and equipment	66,766	66,766
	<u>3,405,846</u>	<u>3,160,666</u>
Less accumulated depreciation	<u>(2,511,884)</u>	<u>(2,428,133)</u>
Net Property and Equipment	\$ 893,962	\$ 732,533

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, 2016 and 2015 were \$37,404 and \$50,587, 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 \$22,979 and \$21,423 for the years ended May 31, 2016 and 2015, 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 an 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, 2016 and 2015 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, 2013.