



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

Financial Statements
Years Ended May 31, 2018 and 2017

WIAA-FM
Interlochen Center for the Arts

Financial Statements
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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, 2018 and 2017, and 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, 2018 and 2017, 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 20, 2018

Financial Statements

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

<i>May 31,</i>	2018	2017
Assets		
Current Assets		
Investments held by Interlochen Center for the Arts	\$ 1,964,054	\$ 1,582,629
Accounts receivable	27,518	26,405
Prepays	-	482
Total current assets	1,991,572	1,609,516
Property and Equipment, net (Note 2)	869,159	908,723
Other assets (Note 1)	994,178	994,178
Total Assets	\$ 3,854,909	\$ 3,512,417
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accruals	\$ 19,628	\$ 27,558
Advances	1,515	3,484
Total current liabilities	21,143	31,042
Net Assets	3,833,766	3,481,375
Total Liabilities and Net Assets	\$ 3,854,909	\$ 3,512,417

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>	2018	2017
Support and Revenue		
Donated facilities and administrative support from Interlochen Center for the Arts	\$ 1,349,294	\$ 1,297,299
Community service and advertising grant from the Corporation for Public Broadcasting	270,266	266,449
Contributions	904,990	813,226
Program underwriting	278,304	266,721
Capital campaign proceeds	71,262	182,872
Other income	261,565	123,430
Total support and revenue	3,135,681	2,949,997
Expenses		
Program services:		
Programming and production	553,934	562,341
Broadcasting	345,519	316,384
Program information	721	704
Total program services	900,174	879,429
Supporting services:		
Fundraising and membership development	253,510	255,260
Management and general	1,629,606	1,650,320
Total supporting services	1,883,116	1,905,580
Total expenses	2,783,290	2,785,009
Increase in Net Assets	352,391	164,988
Net Assets, beginning of year	3,481,375	3,316,387
Net Assets, end of year	\$ 3,833,766	\$ 3,481,375

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

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

<i>Year ended May 31, 2018</i>	Program Services				Supporting Services			Total Expenses
	Programming and Production	Broadcasting	Program Information	Total	Fundraising and Membership Development	Management and General	Total	
Salaries, payroll taxes and benefits	\$ 213,996	\$ 270,030	\$ -	\$ 484,026	\$ 197,681	\$ 960,175	\$ 1,157,856	\$ 1,641,882
Program production and acquisition costs	339,938	-	-	339,938	7,977	76,613	84,590	424,528
Occupancy expense	-	54,846	-	54,846	1,471	111,602	113,073	167,919
Professional services	-	-	-	-	403	130,128	130,531	130,531
Production materials and supplies	-	17,528	-	17,528	584	7,261	7,845	25,373
Advertising	-	-	-	-	827	3,306	4,133	4,133
Printing and publications	-	-	-	-	1,979	256	2,235	2,235
Postage and shipping	-	-	721	721	23,228	1,534	24,762	25,483
Communications	-	-	-	-	8,670	19,838	28,508	28,508
Rental and maintenance of equipment	-	-	-	-	2,646	115,021	117,667	117,667
Meetings, travel and conferences	-	-	-	-	6,100	51,647	57,747	57,747
Insurance	-	3,115	-	3,115	-	40,160	40,160	43,275
Office supplies	-	-	-	-	1,944	6,882	8,826	8,826
Depreciation	-	-	-	-	-	105,183	105,183	105,183
Total	\$ 553,934	\$ 345,519	\$ 721	\$ 900,174	\$ 253,510	\$ 1,629,606	\$ 1,883,116	\$ 2,783,290

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

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

<i>Year ended May 31, 2017</i>	Program Services				Supporting Services			Total Expenses
	Programming and Production	Broadcasting	Program Information	Total	Fundraising and Membership Development	Management and General	Total	
Salaries, payroll taxes and benefits	\$ 200,682	\$ 244,701	\$ -	\$ 445,383	\$ 197,535	\$ 1,031,106	\$ 1,228,641	\$ 1,674,024
Program production and acquisition costs	361,659	-	-	361,659	7,445	89,049	96,494	458,153
Occupancy expense	-	51,358	-	51,358	1,187	104,724	105,911	157,269
Professional services	-	-	-	-	693	70,695	71,388	71,388
Production materials and supplies	-	17,210	-	17,210	660	9,253	9,913	27,123
Advertising	-	-	-	-	929	3,200	4,129	4,129
Printing and publications	-	-	-	-	226	199	425	425
Postage and shipping	-	-	704	704	21,942	5,174	27,116	27,820
Communications	-	-	-	-	5,807	27,906	33,713	33,713
Rental and maintenance of equipment	-	-	-	-	359	125,413	125,772	125,772
Meetings, travel and conferences	-	-	-	-	16,872	38,281	55,153	55,153
Insurance	-	3,115	-	3,115	-	39,680	39,680	42,795
Office supplies	-	-	-	-	1,605	(786)	819	819
Depreciation	-	-	-	-	-	106,426	106,426	106,426
Total	\$ 562,341	\$ 316,384	\$ 704	\$ 879,429	\$ 255,260	\$ 1,650,320	\$ 1,905,580	\$ 2,785,009

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>	2018	2017
Cash Flows From (for) Operating Activities		
Increase in net assets	\$ 352,391	\$ 164,988
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Gain on disposal of property and equipment	(139,579)	-
Depreciation	105,183	106,426
Increase in accounts receivable	(1,113)	(4,282)
Decrease (increase) in prepaids	482	(482)
Decrease in accounts payable and accruals	(7,930)	(7,172)
Decrease in advances	(1,969)	(7,384)
Net cash from operating activities	307,465	252,094
Cash Flows From (for) Investing Activities		
Property and equipment acquisition	(76,040)	(121,187)
Proceeds from sale of property and equipment	150,000	-
Net increase in investments held by Interlochen Center for the Arts	(381,425)	(130,907)
Net cash for investing activities	(307,465)	(252,094)
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, 2018 and 2017.

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
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>	2018	2017
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. For the years ended May 31, 2018 and 2017, the Center has identified no such 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 proceeds represent funds that the Center originally received directly from donors. The Station records revenue from capital campaign funds in the period the Center decides to expend those funds on behalf of the Station. Since the funds are received and spent in the same period, the Station records these proceeds as unrestricted support. 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.

WIAA-FM
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Notes to Financial Statements

Subsequent Events

The financial statements and related disclosures include evaluation of events up to and through December 20, 2018, which is the date the financial statements were available to be issued.

2. Property and Equipment

Property and equipment is summarized as follows:

<i>May 31,</i>	2018	2017
Buildings	\$ 1,030,598	\$ 1,030,598
Broadcasting equipment	2,277,314	2,429,669
Furniture and equipment	66,766	66,766
	<u>3,374,678</u>	<u>3,527,033</u>
Less accumulated depreciation	<u>(2,505,519)</u>	<u>(2,618,310)</u>
Net Property and Equipment	\$ 869,159	\$ 908,723

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, 2018 and 2017 were \$31,608 and \$24,869, 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 \$36,104 and \$20,539 for the years ended May 31, 2018 and 2017, 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, 2018 and 2017 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.