

UNIVERSITY OF ALABAMA WUAL-FM

FINANCIAL STATEMENTS

With

Report of Independent Auditors

For the Years Ended September 30, 2011 and 2010

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT AUDITORS	1
 FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows.....	4
Notes to Financial Statements	5 – 9



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REPORT OF INDEPENDENT AUDITORS

Board of Directors
University of Alabama - WUAL-FM

We have audited the accompanying statements of financial position of the University of Alabama WUAL-FM (a nonprofit organization) as of September 30, 2011 and 2010, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the University of Alabama WUAL-FM. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Alabama WUAL-FM as of September 30, 2011 and 2010, 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.

DiPiazza LaRocca Heeter & Co LLC

February 27, 2012

UNIVERSITY OF ALABAMA WUAL - FM
STATEMENTS OF FINANCIAL POSITION
September 30, 2011 and 2010

ASSETS	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 216,690	\$ 144,043
Accounts receivable	1,886	2,043
Total Current Assets	218,576	146,086
LONG TERM ASSETS		
Property and equipment	1,045,341	996,441
Accumulated depreciation	(866,514)	(848,925)
Net property and equipment	178,827	147,516
Purchased broadcast rights	1,056,450	-
Other assets, net	34,010	-
Total Long Term Assets	1,269,287	147,516
Total Assets	\$ 1,487,863	\$ 293,602
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 13,505	\$ 13,722
Deferred revenue	-	338
Total Current Liabilities	13,505	14,060
LONG TERM LIABILITIES		
Related party note payable	1,135,250	-
Total Liabilities	1,148,755	14,060
NET ASSETS		
Unrestricted	339,108	279,542
Total Net Assets	339,108	279,542
Total Liabilities and Net Assets	\$ 1,487,863	\$ 293,602

The notes to financial statements are an integral part of these statements.

UNIVERSITY OF ALABAMA WUAL-FM
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended September 30, 2011 and 2010

	2011	2010
REVENUES AND OTHER ADDITIONS		
General appropriation from University of Alabama	\$ 480,773	\$ 564,385
Donated facilities and administrative support	238,580	228,951
Underwriting	165,383	149,333
Fundraising	353,708	274,128
Grants from Corporation for Public Broadcasting	246,236	205,145
Other grants	3,300	3,412
Other income	65,852	32,747
	1,553,832	1,458,101
EXPENSES		
Program Services -		
Programming and production	583,660	450,045
Broadcasting	284,060	413,633
Program information	36,610	162,277
Support Services -		
Management and general	434,383	294,402
Fundraising	123,426	135,426
Underwriting	32,127	45,118
	1,494,266	1,500,901
CHANGE IN NET ASSETS	59,566	(42,800)
Net assets at beginning of year	279,542	322,342
Net assets at end of year	\$ 339,108	\$ 279,542

The notes to financial statements are an integral part of these statements.

UNIVERSITY OF ALABAMA WUAL-FM
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ 59,566	\$ (42,800)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization expense	18,829	16,360
Change in assets and liabilities:		
Accounts receivable	157	(2,043)
Accounts payable	(217)	(9,040)
Deferred revenue	(338)	(22,813)
	<u>77,997</u>	<u>(60,336)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(5,350)</u>	<u>-</u>
	<u>(5,350)</u>	<u>-</u>
Net increase (decrease) in cash	72,647	(60,336)
Cash and cash equivalents - beginning of the year	<u>144,043</u>	<u>204,379</u>
Cash and cash equivalents - end of the year	<u>\$ 216,690</u>	<u>\$ 144,043</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 26,016</u>	<u>\$ -</u>
Debt financed additions	<u>\$ 1,135,520</u>	<u>\$ -</u>

The notes to financial statements are an integral part of these statements.

UNIVERSITY OF ALABAMA WUAL-FM

Notes to Financial Statements September 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared on the accrual basis. Revenues are recognized in the period in which they become due. Expenses are recognized in the period in which they are incurred. The significant accounting policies are summarized below:

Organization

WUAL/WQPR-FM ("the Station") is a nonprofit, noncommercial radio station operated by the University of Alabama located in Tuscaloosa, Alabama. The broadcast signal is transmitted to several geographic markets in Alabama.

Property and Equipment

Fixed assets are recorded at cost or, in the case of donated property, at their estimated fair market value at date of receipt. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, ranging from 3 to 40 years. The costs of assets sold or retired and the related accumulated depreciation are removed from the accounts and the gain or loss on such disposition is currently recognized.

Restricted Support

The Station 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 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.

Gifts of Long-Lived Assets

The Station 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 are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the station reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Station considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

UNIVERSITY OF ALABAMA WUAL-FM

Notes to Financial Statements (Continued) September 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

The Station has adopted Accounting Standards Codification, (ASC) 958, "Financial Statements of Not-for-Profit Organizations". Under ASC 958, the Station is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. There were no temporary or permanently restricted net assets for the years ended September 30, 2011 and 2010.

Revenue Recognition

Contributions and other receipts are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Unrestricted contributions, pledges, and grants are recognized as revenue in the statement of financial activity when receivable or received. Other unrestricted revenues are recognized as earned either upon satisfaction of the time or purpose restriction.

Use of Estimates in the Preparation of Financial Statements

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Pledges

The Station engages in an annual fundraising campaign manifested by offering some special on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the public broadcaster for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers. However, uncollected pledges are not enforceable against contributors and are not shown as assets on the balance sheets. Contributions and collected pledges are components of the unrestricted operating fund as their usage is not limited to specific activities of the Station. This usage is consistent with appeals for contributions and pledges.

UNIVERSITY OF ALABAMA WUAL-FM

Notes to Financial Statements (Continued)
September 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions

Donated facilities from the University of Alabama consist of office and studio space together with related occupancy costs and are recorded in revenue and expense at estimated fair rental values. Administrative support from the University of Alabama consists of allocated financial and student department costs and other expenses incurred by the University of Alabama on behalf of the Station. The total value was \$238,580 for 2011 and \$228,951 for 2010, respectively.

Community Service Grants

The Corporation for Public Broadcasting is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients. The Station uses these funds for purposes relating primarily to production and acquisition of programming. Also, the Grants may be used to sustain activities begun with Community Service Grants awarded in prior years.

Income Taxes

The Station is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes.

Uncertain Tax Positions

The Station has implemented the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. As of September 30, 2011, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Open tax years may be subject to examination by taxing authorities.

Subsequent Events

Subsequent events have been evaluated through February 27, 2012, which is the date the financial statements were available to be issued.

UNIVERSITY OF ALABAMA WUAL-FM

Notes to Financial Statements (Continued)
September 30, 2011 and 2010

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30:

	<u>2011</u>	<u>2010</u>
Land	\$ 15,603	\$ 15,603
Leasehold improvements	135,000	135,000
Furniture, fixtures, and equipment	783,342	734,442
Transmission building	<u>111,396</u>	<u>111,396</u>
Total property and equipment	1,045,341	996,441
Less accumulated depreciation	<u>(866,514)</u>	<u>848,925</u>
Net property and equipment	<u>\$ 178,827</u>	<u>\$ 147,516</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$17,589 and \$16,360, respectively.

NOTE 3 - OTHER GRANTS

The station is awarded grants from various organizations related to multiple operational purposes. The amounts awarded under these grants for the years ended September 30, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Alabama State Council of the Arts	\$ 3,300	\$ 3,412

NOTE 4 – PURCHASE OF STATION AND RELATED LONG TERM DEBT

In July 2011, the Station purchased WHIL FM in Mobile, Alabama, an NPR programming station. As a result, WUAL, through the acquired broadcast rights, will serve as the NPR provider for programming for the Mobile, Alabama region. The purchase price for WHIL FM was \$1,100,000, \$1,056,450 of which was allocated to broadcast rights, an intangible asset with an undeterminable life. \$43,550 was related to equipment.

Financing for the transaction was provided by The University of Alabama and consisted of a \$1,135,250 note payable.

During the first three years, interest only monthly payments of \$5,203 are due. Monthly principal and interest payments of \$12,320 begin on August 2014. The note payable bears interest at 5.50%.

UNIVERSITY OF ALABAMA WUAL-FM

Notes to Financial Statements (Continued)
September 30, 2011 and 2010

NOTE 4 – PURCHASE OF STATION AND RELATED LONG TERM DEBT (Continued)

The balance outstanding at December 31, 2011 was \$1,135,250.

The station incurred \$35,250 in fees related to obtaining the financing that will be amortized over the term of the related debt using the straight line method. Amortization costs charged to expenses for the year ended December 31, 2011 was \$1,240.

Future maturities of the long-term debt are as follows:

<u>Year Due</u>	<u>Principal Amount</u>
2012	\$ -
2013	-
2014	35,914
2015	89,618
2016	94,673
Thereafter	<u>915,045</u>
Total	<u>1,135,250</u>
Less current maturities	<u>-</u>
Long-term debt	<u>\$ 1,135,250</u>