

UNIVERSITY OF ALABAMA WUAL-FM

FINANCIAL STATEMENTS

With

Independent Auditor's Report

For the Years Ended September 30, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
University of Alabama - WUAL-FM

Report on the Financial Statements

We have audited the accompanying financial statements of University of Alabama – WUAL-FM (an Alabama nonprofit corporation) which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities and changes in net assets, 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 generally accepted accounting principles 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 U.S. generally accepted auditing standards. 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 University of Alabama – WUAL-FM as of September 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Di Piazza LaRocca Heeter & Co. LLC

February 25, 2014

**UNIVERSITY OF ALABAMA WUAL - FM
STATEMENTS OF FINANCIAL POSITION
September 30, 2013 and 2012**

| ASSETS | <u>2013</u> | <u>2012</u> |
|--|----------------------------|----------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 186,298 | \$ 176,687 |
| Accounts receivable | - | 2,050 |
| Total Current Assets | <u>186,298</u> | <u>178,737</u> |
| LONG TERM ASSETS | | |
| Property and equipment | 1,021,214 | 1,021,214 |
| Accumulated depreciation | (874,010) | (858,928) |
| Net property and equipment | <u>147,204</u> | <u>162,286</u> |
| Purchased broadcast rights | 1,056,450 | 1,056,450 |
| Other assets, net | <u>24,635</u> | <u>31,298</u> |
| Total Long Term Assets | <u>1,228,289</u> | <u>1,250,034</u> |
| Total Assets | <u><u>\$ 1,414,587</u></u> | <u><u>\$ 1,428,771</u></u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 10,921 | \$ 22,985 |
| Related party note payable - current portion | <u>35,914</u> | <u>-</u> |
| Total Current Liabilities | <u>46,835</u> | <u>22,985</u> |
| LONG TERM LIABILITIES | | |
| Related party note payable | <u>1,099,336</u> | <u>1,135,250</u> |
| Total Liabilities | <u>1,146,171</u> | <u>1,158,235</u> |
| NET ASSETS | | |
| Unrestricted | <u>268,416</u> | <u>270,536</u> |
| Total Net Assets | <u>268,416</u> | <u>270,536</u> |
| Total Liabilities and Net Assets | <u><u>\$ 1,414,587</u></u> | <u><u>\$ 1,428,771</u></u> |

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, 2013 and 2012

| | 2013 | 2012 |
|--|-------------------|-------------------|
| REVENUES AND OTHER ADDITIONS | | |
| General appropriation from University of Alabama | \$ 561,612 | \$ 563,374 |
| Donated facilities and administrative support | 276,011 | 284,654 |
| Underwriting | 217,222 | 190,274 |
| Fundraising | 386,160 | 326,346 |
| Grants from Corporation for Public Broadcasting | 259,968 | 307,538 |
| Other grants | 4,500 | 4,100 |
| Other income | 21,107 | 42,179 |
| | <u>1,726,580</u> | <u>1,718,465</u> |
| | | |
| EXPENSES | | |
| Program Services - | | |
| Programming and production | 675,230 | 708,182 |
| Broadcasting | 328,626 | 344,663 |
| Program information | 42,353 | 44,420 |
| Support Services - | | |
| Management and general | 502,533 | 527,057 |
| Fundraising | 142,791 | 149,759 |
| Underwriting | 37,167 | 38,980 |
| | <u>1,728,700</u> | <u>1,813,061</u> |
| | | |
| CHANGE IN NET ASSETS | (2,120) | (94,596) |
| | | |
| Net assets at beginning of year | <u>270,536</u> | <u>365,132</u> |
| | | |
| Net assets at end of year | <u>\$ 268,416</u> | <u>\$ 270,536</u> |

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, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ (2,120) | \$ (94,596) |
| Adjustments to reconcile change in net assets . to net cash from operating activities: | | |
| Depreciation and amortization expense | 23,794 | 19,253 |
| Prior period adjustment | - | 26,024 |
| Change in assets and liabilities: | | |
| Accounts receivable | - | (164) |
| Accounts payable | <u>(12,063)</u> | <u>9,480</u> |
| Net cash provided by (used in) operating activities | <u>9,611</u> | <u>(40,003)</u> |
| Net increase (decrease) in cash | 9,611 | (40,003) |
| Cash and cash equivalents - beginning of the year | <u>176,687</u> | <u>216,690</u> |
| Cash and cash equivalents - end of the year | <u>\$ 186,298</u> | <u>\$ 176,687</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the year for interest | <u>\$ 62,439</u> | <u>\$ 62,439</u> |

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

UNIVERSITY OF ALABAMA WUAL-FM

Notes to Financial Statements September 30, 2013 and 2012

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/WHIL/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, 2013 and 2012

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, 2013 and 2012.

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, 2013 and 2012

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 \$276,011 for 2013 and \$284,654 for 2012, 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, 2013, 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 25, 2014, which is the date the financial statements were available to be issued.

UNIVERSITY OF ALABAMA WUAL-FM

Notes to Financial Statements (Continued)
September 30, 2013 and 2012

NOTE 2 - PROPERTY AND EQUIPMENT

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

| | <u>2013</u> | <u>2012</u> |
|------------------------------------|-------------------|-------------------|
| Land | \$ 15,603 | \$ 15,603 |
| Leasehold improvements | 135,000 | 135,000 |
| Furniture, fixtures, and equipment | 759,215 | 759,215 |
| Transmission building | <u>111,396</u> | <u>111,396</u> |
| Total property and equipment | 1,021,214 | 1,021,214 |
| Less accumulated depreciation | <u>(874,010)</u> | <u>(858,928)</u> |
| Net property and equipment | <u>\$ 147,204</u> | <u>\$ 162,286</u> |

Depreciation expense for the years ended September 30, 2013 and 2012 was \$21,082 and \$16,541, 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, 2013 and 2012 were as follows:

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|-------------|-------------|
| Alabama State Council of the Arts | \$ 4,500 | \$ 4,100 |

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 indeterminable 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, 2013 and 2012

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

The balance outstanding at September 30, 2013 and 2012 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 September 30, 2013 and 2012 was \$2,712.

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

| <u>Fiscal Year</u> | <u>Principal Amount</u> |
|-------------------------|-----------------------------|
| 2014 | \$ 35,914 |
| 2015 | 88,398 |
| 2016 | 93,384 |
| 2017 | 98,651 |
| 2018 | 104,216 |
| Thereafter | <u>714,687</u> |
| Total | <u>1,135,250</u> |
| Less current maturities | <u>35,914</u> |
| Long-term debt | <u>\$ 1,099,336</u> |

UNIVERSITY OF ALABAMA WUAL-FM

**Notes to Financial Statements (Continued)
September 30, 2013 and 2012**

NOTE 5 – PRIOR PERIOD ADJUSTMENT

The Station has restated its previously issued financial statements as of September 30, 2012, to include fund account activity that was previously excluded.

The effect on the Station’s previously issued financial statements are summarized as follows:

| Statement of Financial Position | <u>Previously Reported</u> | <u>Increase/ (Decrease)</u> | <u>Restated</u> |
|--|--------------------------------|---------------------------------|---------------------|
| Cash | \$ 170,439 | \$ 6,248 | \$ 176,687 |
| Total Assets | <u>1,422,523</u> | <u>6,248</u> | <u>1,428,771</u> |
| Fund Balance | <u>264,288</u> | <u>6,248</u> | <u>270,536</u> |
| Total Liabilities and Fund Balance | \$ <u>1,422,523</u> | \$ <u>6,248</u> | \$ <u>1,428,771</u> |
| Statement of Activities and Changes in Net Assets | | | |
| Revenues | 1,708,013 | 10,452 | 1,718,465 |
| Expenses | <u>1,782,833</u> | <u>30,228</u> | <u>1,813,061</u> |
| Decrease in net assets | (74,820) | (19,776) | (94,596) |
| Net Assets at Beginning of year | <u>339,108</u> | <u>26,024</u> | <u>365,132</u> |
| Net Assets at end of year | \$ <u>264,288</u> | \$ <u>6,248</u> | \$ <u>270,536</u> |