

**University of Alabama WUAL-FM
(A Nonprofit Organization)
Tuscaloosa, Alabama**

Financial Statements

September 30, 2017 and 2016

University of Alabama WUAL-FM
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September 30, 2017 and 2016

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Independent Auditor's Report

Board of Directors
University of Alabama WUAL-FM
Tuscaloosa, Alabama

We have audited the accompanying financial statements of University of Alabama WUAL-FM (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statement of activities, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 risk 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, 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.

Other Matter – 2016 Financial Statements

The financial statements of University of Alabama WUAL-FM as of September 30, 2016, were audited by other auditors whose report dated February 23, 2017, expressed an unmodified opinion on those statements.

KASSOUF & CO., P.C.



Certified Public Accountants

February 21, 2018

University of Alabama WUAL-FM
Statements of Financial Position
September 30, 2017 and 2016

	Assets	
	2017	2016
Current Assets		
Cash and cash equivalents	\$ 153,440	\$ 119,919
Accounts receivable	2,625	-
Total Current Assets	156,065	119,919
Long-Term Assets		
Property and equipment, net	179,071	196,926
Purchased broadcast rights	1,056,450	1,056,450
Other assets, net	17,740	20,452
Total Long-Term Assets	1,253,261	1,273,828
Total Assets	1,409,326	1,393,747
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	21,651	3,449
Related party note payable - current portion	37,747	35,569
Total Current Liabilities	59,398	39,018
Long-Term Liabilities		
Related party note payable	986,223	1,024,133
Total Liabilities	1,045,621	1,063,151
Net Assets		
Unrestricted	363,705	330,596
Total Net Assets	363,705	330,596
Total Liabilities and Net Assets	\$ 1,409,326	\$ 1,393,747

See accompanying notes.

University of Alabama WUAL-FM
Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2017 and 2016

	2017	2016
Revenues and Other Additions		
General appropriation from University of Alabama	\$ 757,054	\$ 815,266
Donated facilities and administrative support	271,763	183,231
Underwriting	289,196	211,982
Membership	558,788	473,632
Grants from Corporation for Public Broadcasting	144,285	155,684
Other grants	5,250	4,875
Other income	26,625	17,114
Total Revenue and Other Additions	2,052,961	1,861,784
Expenses		
Program Services		
Programming and production	737,788	779,688
Broadcasting	307,454	184,688
Support Services		
Management and general	441,479	515,280
Membership	230,187	191,576
Underwriting	218,899	117,003
Total Expenses	1,935,807	1,788,235
Loss on disposal of fixed assets	(4,280)	-
Increase in Net Assets	112,874	73,549
Transfer to UA-ASU-TSU Educational Radio Corporation	(79,765)	(58,182)
Net assets at beginning of year	330,596	315,229
Net assets at end of year	\$ 363,705	\$ 330,596

See accompanying notes.

University of Alabama WUAL-FM
Statements of Cash Flow
For the Years Ended September 30, 2017 and 2016

	2017	2016
Cash Flow from Operating Activities		
Changes in net assets	\$ 112,874	\$ 73,549
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	23,417	18,337
Loss on disposal of fixed assets	4,280	-
(Increase) decrease in:		
Accounts receivable	(2,625)	2,400
Increase (decrease) in:		
Accounts payable	18,202	(3,700)
Net Cash Provided By Operating Activities	156,148	90,586
 Cash Flows from Investing Activities		
Purchase of equipment	(7,130)	(40,721)
Net Cash Used In Investing Activities	(7,130)	(40,721)
 Cash Flows from Financing Activities		
Repayment of related party note payable	(35,732)	(33,824)
Net Cash Used In Financial Activities	(35,732)	(33,824)
 Net increase in cash and cash equivalents	113,286	16,041
 Transfer to UA-ASU-TSU Educational Radio Corporation	(79,765)	(58,182)
 Cash and cash equivalents - beginning of year	119,919	162,060
 Cash and cash equivalent - end of year	\$ 153,440	\$ 119,919
 Supplemental Cash Flow Information:		
Cash paid for interest	\$ 57,392	\$ 59,300

See accompanying notes.

University of Alabama WUAL-FM
Notes to Financial Statements
September 30, 2017 and 2016

Note 1. Summary of Significant Accounting Policies

Nature of Activities

University of Alabama WUAL-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.

Basis of Accounting

The Station's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Station considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of three months or less at the time of purchase.

Accounts Receivable

Accounts receivable primarily consists of amounts due from grantor agencies. Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Station provides for losses on accounts receivable using the allowance method. The Station determines the allowance based on historical write-off experience and grantor specific information. It is the Station's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of September 30, 2017 and 2016, all accounts were deemed collectible by the Station; therefore, no allowance was necessary.

Pledges

The Station engages in an annual membership campaign manifested by offering some special on-air and mail membership 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, 2017 and 2016

Note 1. Summary of Significant Accounting Policies - Continued

Property and Equipment

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the asset, ranging from 5 to 40 years, using the straight-line method. Donated items are stated at the estimated fair market value at the date of receipt. Property and equipment purchased or contributed with a cost or value in excess of \$5,000 are capitalized. Maintenance, repairs, and minor renovations are charged to expense as incurred. When property and equipment is retired or otherwise disposed of, the related costs are removed from the respective accounts and any gain or loss on the disposition is recorded.

Purchased Broadcast Rights

Purchased broadcast rights were acquired through the purchase of WHIL FM in Mobile, Alabama. The broadcast rights are considered an intangible asset with an indeterminable life. Management annually evaluates the broadcast rights for impairment. See Note 4 for additional information.

Other Assets

Other assets consist of loan costs related to debt incurred in order to purchase WHIL FM in 2011. The fees incurred to obtain the financing were capitalized and are being amortized over the term of the related debt using the straight-line method. See Note 4 for additional information.

Classification of Net Assets

The Station has three types of net assets: unrestricted, temporarily restricted, and permanently restricted. The unrestricted net assets include assets available for unrestricted use including any assets that may be designated by the Station for a particular use. Temporarily restricted net assets consist of assets with donor stipulations that limit the use of the assets. When the restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets consist of assets that donors have stipulated the original principal be invested in perpetuity. At September 30, 2017 and 2016, the Station did not have any temporarily or permanently restricted net assets.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2017 and 2016

Note 1. Summary of Significant Accounting Policies - Continued

Restricted Support

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

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 for the years ending September 30, 2017 and 2016 was \$271,763 and \$183,232, respectively.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2017 and 2016

Note 2. Property and Equipment

At September 30, 2017 and 2016, property and equipment consisted of the following:

	2017	2016
Land	\$ 15,603	\$ 15,603
Leasehold improvements	135,000	135,000
Furniture, fixtures, and equipment	769,286	859,247
Transmission building	111,396	111,396
Total property and equipment	1,031,285	1,121,246
Less accumulated depreciation	852,214	924,320
Net property and equipment	\$ 179,071	\$ 196,926

Depreciation expense was \$20,706 and \$15,625 for the years ended September 30, 2017 and 2016, respectively.

Note 3. Grants

Community Service Grants

The Corporation for Public Broadcasting (CPB) 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.

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, 2017 and 2016 were as follows:

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2017 and 2016

Note 3. Grants - Continued

	2017	2016
Alabama State Council of the Arts	\$ 5,250	\$ 4,875

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, serves as the NPR provider for programming for the Mobile, Alabama region. The purchase price for WHIL FM was \$1,100,000, of which \$1,056,450 was allocated to broadcast rights, an intangible asset with an indeterminable life. \$43,550 was related to equipment.

The Station incurred \$35,250 in fees related to obtaining the financing. These fees are being amortized over the term of the related debt using the straight line method. Amortization costs charged to expenses for the years ended September 30, 2017 and 2016 were \$2,712.

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 were due. Monthly principal and interest payments of \$12,320 began on August 2014. The stated interest rate was 5.50%.

Effective September 2014, the Station agreed to new loan terms, with The University of Alabama, amortizing \$1,128,133 over twenty years. Monthly payments are \$7,760 and the note bears interest at 5.50%. The balance outstanding for the years ended September 30, 2017 and 2016 was \$1,023,970 and \$1,059,702, respectively. Interest costs of \$57,392 and \$59,300 were incurred for the years ending September 30, 2017 and 2016, respectively.

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

Fiscal Year	Principal Amount
2018	\$ 37,747
2019	39,876
2020	42,126
2021	44,502
2022	47,012
Thereafter	812,707
Total	1,023,970
Less current maturities	37,747
Long-term debt	\$ 986,223

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2017 and 2016

Note 5. Related Party Transactions

The Station operates under the University of Alabama system. The Station receives donated facilities and administrative support from the University of Alabama. See Note 1 for more information regarding in-kind contributions. The Station also receives a portion of the University's appropriation from the State of Alabama. For the years ending September 30, 2017 and 2016, the appropriation received from the University of Alabama was \$757,054 and \$815,266, respectively.

Additionally, the Station has a note payable with The University of Alabama related to the financing of the WHIL FM purchase. See Note 4 for more information regarding this purchase and the related debt.

The UA-ASU-TSU Educational Corporation was created to allow the University of Alabama, Alabama State University and Troy University to share the WAPR broadcast area. The Board of Directors of the UA-ASU-TSU Educational Corporation includes representatives from each university, including management from WUAL. The Station receives revenue from the UA-ASU-TSU Educational Radio Corporation as compensation for operational support provided by the Station to the UA-ASU-TSU Educational Radio Corporation. For the years ending September 30, 2017 and 2016, fees earned were \$17,761 and \$6,860 , respectively.

As part of the operational support provided, the Station collects donations and transfers these funds to the UA-ASU-TSU Educational Radio Corporation. Transfers out to the UA-ASU-TSU Educational Radio Corporation for the years ending September 30, 2017 and 2016 were \$79,765 and \$58,182, respectively.

Note 6. Income Taxes

The Station is a not-for-profit organization covered under the Alabama Nonprofit Corporation Act. Additionally, the Station, as part of the University of Alabama System, has been granted tax-exempt status by the Internal Revenue Service for income tax purposes. The Station is subject to unrelated business income tax (UBIT) only if it engages in activities subject to the UBIT regulations. The Station follows the FASB codification ASC 740-10 in accounting for income taxes. Open tax years may be subject to examination by taxing authorities. The Station has evaluated its tax positions and interpretations, and believes its positions are appropriate based on current facts and circumstances.

University of Alabama WUAL-FM
Notes to Financial Statements - Continued
September 30, 2017 and 2016

Note 7. Compensated Absences

Employees of the Station are entitled to paid vacation, paid sick days, and personal days offs, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Station's policy is to recognize the costs of compensated absences when actually paid to employees.

Note 8. Employee Benefit Plan

The Station participates in the State of Alabama's Teachers' Retirement System (TRS). The Station made an employer contribution to the TRS in the amount of \$77,554 and \$73,608 for the years ending September 30, 2017 and 2016, respectively.

Note 9. Concentration of Credit Risk

Credit risk for accounts receivable is considered concentrated as 100% of the balance at September 30, 2017 is due from one grantor agency. There were no accounts receivable at September 30, 2016.

Note 10. Subsequent Events

The Organization has evaluated subsequent events through February 21, 2018, the date which the financial statements were available to be issued.