

WVPE-FM Radio
(A Public Telecommunications Entity Operated
By The Elkhart Community Schools)

Financial Report
12.31.2013

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Independent Auditor's Report

To the Board of Directors
WVPE-FM Radio
Elkhart, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of **WVPE-FM Radio**, a public telecommunications entity operated by the Elkhart Community Schools, which comprise the statements of financial position as of December 31, 2013 and 2012, 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 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 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 **WVPE-FM Radio** as of December 31, 2013 and 2012, 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.

McGladrey LLP

Elkhart, Indiana
May 15, 2014

WVPE-FM Radio
(A Public Telecommunications Entity Operated by the Elkhart Community Schools)

Statements Of Financial Position
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash	\$ 125,439	\$ 110,714
Receivables, less allowance for doubtful accounts	27,200	53,635
Prepaid Expenses	27,573	26,666
Total current assets	180,212	191,015
Equipment		
Master control studio equipment	125,375	276,408
Production studio equipment	360,622	366,912
Studio and other broadcast equipment	333,752	380,319
	819,749	1,023,639
Less accumulated depreciation	500,855	664,238
	318,894	359,401
Total assets	\$ 499,106	\$ 550,416
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and other liabilities	\$ 73,945	\$ 55,125
Net Assets		
Unrestricted	425,161	495,291
Total net assets	425,161	495,291
Total liabilities and net assets	\$ 499,106	\$ 550,416

See Notes to Financial Statements.

WVPE-FM Radio
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Statements Of Activities
Years Ended December 31, 2013 and 2012

	2013	2012
Unrestricted net assets:		
Support and revenue:		
Elkhart Community Schools, donated facilities and services	\$ 41,524	\$ 40,276
Other contributed services	45,589	42,163
Grants from state and local agencies	62,329	32,744
Public broadcasting	123,007	149,163
Special projects	3,823	9,686
Foundations and nonprofit associations	148,503	110,340
Membership contributions	621,246	579,674
Corporate underwriting support	221,743	346,120
Miscellaneous income	-	4,929
Total support and revenue	1,267,764	1,315,095
Expenses:		
Program services:		
Local programming and production	574,174	524,961
Program information	48,143	18,168
Broadcasting	59,318	67,981
Total program services expenses	681,635	611,110
Supporting services:		
Fundraising	397,953	352,183
Management and general	258,306	238,928
Total supporting services expenses	656,259	591,111
Total expenses	1,337,894	1,202,221
Change in net assets	(70,130)	112,874
Net assets, beginning of year	495,291	382,417
Net assets, end of year	\$ 425,161	\$ 495,291

See Notes to Financial Statements.

WVPE-FM Radio
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Statement Of Functional Expenses
Year Ended December 31, 2013

	2013					Total
	Program Services			Supporting Services		
	Local Programming and Production	Program Information	Broadcasting	Fund Raising	Management and General	
Salaries, payroll taxes, and employee benefits	\$ 171,204	\$ -	\$ -	\$ 305,836	\$ 141,034	\$ 618,074
Programming acquisitions	372,668	-	-	-	-	372,668
Professional technical services	-	42,299	19,346	29,373	50,049	141,067
Donated facilities and administrative support from Elkhart Community Schools	8,305	1,038	1,038	-	31,143	41,524
Travel	-	-	-	510	2,480	2,990
Telephone	-	-	-	-	3,514	3,514
Printing/binding	1,158	3,166	-	30,462	60	34,846
Supplies	-	-	99	19,515	1,539	21,153
Dues and subscriptions	-	-	157	12,257	21,049	33,463
Depreciation	139	-	38,678	-	456	39,273
Miscellaneous	-	1,640	-	-	6,982	8,622
Donated use of transmitter	20,700	-	-	-	-	20,700
	\$ 574,174	\$ 48,143	\$ 59,318	\$ 397,953	\$ 258,306	\$ 1,337,894

See Notes to Financial Statements.

WVPE-FM Radio
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Statement Of Functional Expenses
Year Ended December 31, 2012

	2012						Total
	Program Services			Supporting Services			
	Local Programming and Production	Program Information	Broadcasting	Fund Raising	Management and General		
Salaries, payroll taxes, and employee benefits	\$ 171,587	\$ -	\$ -	\$ 252,360	\$ 142,972	\$ 566,919	
Programming acquisitions	322,736	-	-	-	-	322,736	
Professional technical services	-	12,417	23,202	31,800	41,639	109,058	
Donated facilities and administrative support from Elkhart Community Schools	8,404	1,050	1,050	-	29,772	40,276	
Travel	-	-	-	213	2,911	3,124	
Telephone	-	-	-	-	3,186	3,186	
Printing/binding	1,395	3,529	-	16,804	-	21,728	
Supplies	-	22	1,263	35,315	1,973	38,573	
Dues and subscriptions	-	-	324	15,691	14,538	30,553	
Depreciation	139	-	37,782	-	1,085	39,006	
Miscellaneous	-	1,150	4,360	-	852	6,362	
Donated use of transmitter	20,700	-	-	-	-	20,700	
	<u>\$ 524,961</u>	<u>\$ 18,168</u>	<u>\$ 67,981</u>	<u>\$ 352,183</u>	<u>\$ 238,928</u>	<u>\$ 1,202,221</u>	

See Notes to Financial Statements.

WVPE-FM Radio
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Statements Of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	\$ (70,130)	\$ 112,874
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,273	39,006
Loss on sale of assets	6,122	242
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables	26,435	(12,581)
Prepaid expenses	(907)	(2,189)
Increase (decrease) in:		
Accounts payable and other liabilities	18,820	(30,794)
Net cash provided by operating activities	19,613	106,558
Cash Flows From Investing Activities		
Purchase of equipment	(4,888)	(13,402)
Change in cash	14,725	93,156
Cash, beginning	110,714	17,558
Cash, ending	\$ 125,439	\$ 110,714

See Notes to Financial Statements.

WVPE-FM Radio
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Notes To Financial Statements

Note 1. Nature of Organization, Economic Dependence, and Significant Accounting Policies

Nature of organization:

WVPE-FM Radio is a telecommunications entity operated by the Elkhart Community Schools ("ECS") as a noncommercial public radio station.

Economic dependence:

The Organization is economically dependent on ECS, which provides office and studio space and holds the license to operate the radio station.

Significant accounting policies:

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 as of 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.

Cash:

The Organization's cash is held in the ECS general account.

Equipment:

Equipment is recorded at cost or, in the case of donated equipment, at estimated fair market value at date of receipt. Depreciation of equipment is computed by the straight-line method over the estimated useful lives of the assets, primarily five to twenty-five years.

Donated facilities and services from ECS:

Donated facilities from ECS consist of office and studio space together with related occupancy costs and are recorded in revenue and expense at estimated fair rental values. Donated services consist of allocated financial and department costs and certain other expenses incurred by ECS.

In-kind contributions:

In-kind contributions of equipment are recorded as revenue based upon estimates obtained from appraisers of the fair value of the assets and depreciated over their estimated useful lives. Donated services requiring specific expertise are recorded as revenue and expense in the accompanying statement of activities at estimated fair value.

Revenue recognition:

Unrestricted contributions, pledges, and grants are recognized as support in the Statement of Activities upon receipt. Other revenues are recognized as earned either upon receipt or accrual. Expenditures of funds are recognized as expenses when expended or upon incurrence of the related liability.

WVPE-FM Radio
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Notes To Financial Statements

Contributions and receivables:

The Organization's receivables consist primarily of amounts pledged from corporate underwriters. Management periodically reviews the underwriting receivables aging and writes off any accounts that appear to be uncollectible. Underwriting receivables are considered past due after thirty days beyond contract pledge date and are written off when deemed uncollectible. Recoveries of these receivables previously written off are recorded when received. The allowance for doubtful underwriting pledged accounts at December 31, 2013 and 2012 was approximately \$2,000.

The Organization also engages in periodic fundraising campaigns manifested by offering some special radio programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Organization for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. An allowance for uncollectable contributions receivable is provided based upon management's judgment including such factors as prior collection history and type of contribution. All underwriting and member pledges receivable are promises to give within one year of December 31, 2013. Contributions and pledges are components of unrestricted net assets inasmuch as their usage is not restricted to specific activities of the Organization.

Gifts of cash and other assets are presented 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. When the Organization receives a restricted contribution and the restriction is met during the same fiscal year, the contribution is recorded as an unrestricted contribution.

Corporation for public broadcasting 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 broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities 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). 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 for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years.

Certain general provisions must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

The CSGs are reported in the accompanying financial statements as increases in unrestricted net assets as satisfaction of the time and purpose restrictions occur in the period which received.

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Notes To Financial Statements

Income tax status:

The Organization is exempt from income taxes under the provisions of the Internal Revenue Code and a similar state statute.

The Organization follows the standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At December 31, 2013, there were no unrecognized tax benefits identified or recorded as liabilities. The Organization does not presently have a tax filing requirement with the Internal Revenue Service or related state filing requirement due to it being a part of and operated by ECS.

Functional allocation of expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent events:

The Organization has evaluated subsequent events for potential recognition and/or disclosure through May 15, 2014, the date the financial statements were available to be issued.

Note 2. Leases

The Organization entered into an agreement to lease tower space to broadcast its signal. The agreement, which expires in September 2015, requires annual rental payments of \$20,700 plus the payment of any utility costs related to the equipment. The agreement contains a 5 year renewal option.

Annual commitments under this lease agreement are as follows:

2014	\$	20,700
2015		12,075
	\$	<u>32,775</u>

During the years ended December 31, 2013 and 2012, ECS assumed payment as an in-kind contribution for the lease commitment under this agreement. The rental expense included in the statement of functional expenses for the years ended December 31, 2013 and 2012 is \$20,700.

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Notes To Financial Statements

Note 3. Employee Benefits

Employees of the Organization are eligible for the benefits offered by ECS, which include medical, dental, life insurance, and public employee's retirement fund. The Organization pays an amount equal to 3% of employees' compensation toward the retirement plan, which totaled \$54,728 and \$50,049 for the years ended December 31, 2013 and 2012 respectively.