

WASATCH PUBLIC MEDIA

DBA



Financial Statements

As of and for the Years Ended June 30, 2014 and 2013

Submitted by:

CW | **Cooper Williams LLC**

CERTIFIED PUBLIC ACCOUNTANTS

136 SOUTH MAIN STREET
SUITE # A-300
SALT LAKE CITY, UT 84101

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	3
STATEMENT OF FINANCIAL POSITION.....	5
STATEMENT OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS.....	6
STATEMENT OF FUNCTIONAL EXPENSES.....	7
STATEMENT OF CASH FLOWS.....	9
NOTES TO FINANCIAL STATEMENTS.....	10

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
WASATCH PUBLIC MEDIA, DBA KCPW - FM

We have audited the accompanying financial statements of **WASATCH PUBLIC MEDIA, DBA KCPW - FM** (KCPW, or the Organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 auditing standards 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 Wasatch Public Media as of June 30, 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that KCPW will continue as a going concern. As discussed in Note 3 to the financial statements, the Organization has a note payable that was due October 2012 secured by the assets of the Organization. The creditor on another note payable has extended the due date to October 2015. As further discussed in Note 3, although KCPW has been successful in negotiating a forbearance on one of the notes, and management is working with the major creditor to improve the Organization's operations, the uncertainty surrounding the Organization's ability to re-structure or pay these notes together with its decreases in net assets in recent years raise substantial doubt regarding KCPW's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Matter

The financial statements of **WASATCH PUBLIC MEDIA, DBA KCPW - FM** for the year ended June 30, 2013, were audited by another auditor whose report dated January 29, 2014 included an emphasis-of-matter paragraph that described that, while the financial statements had been prepared assuming that the Organization would continue as a going concern, the lack of payments on certain notes payable and other matters described in Note 3, raised substantial doubt about the Organization's ability to continue as a going concern. The report expressed an unmodified opinion on those financial statements.



Salt Lake City, Utah
March 31, 2015

COOPER WILLIAMS LLC

136 South Main Street, Suite A-300, Salt Lake City, UT 84101
Phone: 801-433-2140; Fax: 801-433 2150

Wasatch Public Media
DBA KCPW - FM
Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 53,772	\$ 15,668
Restricted cash - interest reserves	1,194	1,198
Contributions receivable		
Underwriting receivables	34,678	66,944
Unconditional promises to give	10,462	10,549
Other receivables	3,704	
Prepaid expenses and other assets	4,206	11,780
Total Current Assets	108,016	106,139
Property and equipment, net	88,974	110,239
Broadcast licenses	2,427,183	2,427,183
	\$ 2,624,173	\$ 2,643,561
LIABILITIES and NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 596,524	\$ 471,300
Accrued Liabilities	3,711	1,271
Short-term notes payable	1,803,793	2,326,617
Total Current Liabilities	2,404,028	2,799,188
Notes payable	523,181	-
TOTAL LIABILITIES	2,927,209	2,799,188
UNRESTRICTED NET ASSETS	(303,036)	(155,627)
LIABILITIES AND		
UNRESTRICTED NET ASSETS	\$ 2,624,173	\$ 2,643,561

See Independent Auditors' Report and the notes to these financial statements

Wasatch Public Media
DBA KCPW - FM
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2014 and 2013

	2014	2013
<u>CHANGES IN UN-RESTRICTED NET ASSETS</u>		
Public Support and Income		
Grants	\$ 128,742	\$ 117,702
Contributions	545,060	557,562
Interest and other income	163	582
Total Public Support and Income	673,965	675,846
Expenses		
Program service - broadcasting expenses	632,193	726,170
Management and general	113,067	96,839
Fund raising activities	76,114	183,705
Net changes in unrestricted assets	821,374	1,006,714
INCREASE (DECREASE) IN NET ASSETS	\$ (147,409)	\$ (330,868)
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	(155,627)	175,241
NET ASSETS (DEFICIT) - END OF YEAR	\$ (303,036)	\$ (155,627)

See Independent Auditors' Report and the notes to these financial statements

Wasatch Public Media
DBA KCPW - FM
Statement of Functional Expenses
For the Years Ended June 30, 2014 and 2013

FUNCTIONAL EXPENSES	June 30, 2014			
	Program			Total
	Service Expense	Management	Fundraising	
	-Broadcasting-	and General		
Payroll expense	\$ 293,250	\$ 235		\$ 293,485
Programming	126,207	-		126,207
Interest	128,200	14,244		142,444
Occupancy				-
Contract services	24,275	22,832	\$ 9,066	56,173
Office expense	950	24,113	7,383	32,446
Bad debts		1,000	12,897	13,897
Depreciation and amortization		21,264		21,264
Other expense	428	14,900	39,482	54,810
Insurance		7,693		7,693
Travel				-
Advertising				-
Equipment rental & Maintenance	58,883	6,786	7,286	72,955
	\$ 632,193	\$ 113,067	\$ 76,114	\$ 821,374

See Independent Auditors' Report and the notes to these financial statements

Wasatch Public Media

DBA KCPW - FM

Statement of Functional Expenses

For the Years Ended June 30, 2014 and 2013

FUNCTIONAL EXPENSES	June 30, 2013			
	Program			Total
	Service Expense	Management	Fundraising	
	-Broadcasting-	and General		
Payroll expense	\$ 225,782	\$ 23,466	\$ 115,776	\$ 365,024
Broadcast programming	208,851	-	-	208,851
Interest	146,818	16,313	-	163,131
Occupancy	55,788	3,552	7,286	66,626
Contract services	23,011	32,799	20,395	76,205
Office expense	12,078	9,519	27,413	49,010
Bad debts	8,345	1,205	9,636	19,186
Depreciation and amortization	25,095	2,789	-	27,884
Other expense	513	2,857	3,144	6,514
Insurance	3,782	421	-	4,203
Travel	64	1,040	55	1,159
Advertising	15,844	-	-	15,844
Equipment rental & Maintenance	199	2,878	-	3,077
	<u>\$ 726,170</u>	<u>\$ 96,839</u>	<u>\$ 183,705</u>	<u>\$ 1,006,714</u>

See Independent Auditors' Report and the notes to these financial statements

Wasatch Public Media
DBA KCPW - FM
Statement of Cash Flows
For the Years Ended June 30, 2014 and 2013

	2014	2013
<u>Cash Flows From Operating Activities</u>		
Change in net assets:	\$ (147,409)	\$ (330,868)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	21,264	27,884
Changes in current assets and liabilities:		
Underwriting receivables	32,354	125,585
Unconditional promises to give		
Prepaid and other assets	3,870	(3,589)
Accounts payable & accrued liabilities	128,021	142,475
Net Cash Provided by (Used in) Operating Activities	38,100	(38,513)
<u>Cash Flows From Investing Activities</u>		
	-	-
Net Cash Provided by Investing Activities	-	-
<u>Cash Flows From Financing Activities</u>		
	-	-
Principle payments on notes payable		(16,832)
Net Cash Used in Financing Activities	-	(16,832)
Net Increase (Decrease) in Cash	\$ 38,100	\$ (55,345)
Cash at Beginning of Year	16,866	72,211
Cash at End of Year	\$ 54,966	\$ 16,866
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 142,444	\$ 176,673
Cash paid during the year for taxes	\$ -	\$ -

WASATCH PUBLIC MEDIA
Notes to Financial Statements

June 30, 2014 and 2013

NOTE 1—ORGANIZATION AND PURPOSE

WASATCH PUBLIC MEDIA, DBA KCPW - FM (“KCPW, or the Organization”) is a public service radio station whose purpose is to serve the educational, charitable, scientific and literary needs of the northern Utah community. The Organization was formed as a Utah nonprofit corporation on September 12, 2007 to broadcast over the radio, news, talks, speeches, and other programs transmitted by radio.

The Organization is funded primarily through pledge drives, community fundraising and philanthropic underwriting contributions.

NOTE 2— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Organization prepares its financial statements using the accrual basis of accounting, and accounting policies conform to US generally accepted accounting principles. The following accounting policies are considered to be significant:

KCPW has adopted *Accounting Standards Codification 720-25, Contributions Made (ASC 720-25)*. This accounting standard affects the way in which contributions of cash and services are recorded and reported.

The Organization has adopted *Accounting Standards Codification 958, Not-For-Profit-Entities (ASC 958)*. This accounting standard affects the format of financial statements and the display of certain information. It requires the reporting in financial statements of net assets and changes therein according to three groupings: unrestricted, temporarily restricted and permanently restricted net assets.

- **Unrestricted Net Assets** are neither permanently restricted nor temporarily restricted by donor stipulations.
- **Temporarily Restricted Net Assets** result from contributions and other inflows of assets whose use is limited by donor imposed stipulations that either expire with passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations. At June 30, 2014 and 2013, the Organization had no temporarily restricted net assets.
- **Permanently Restricted Net Assets** result from contributions and other inflows of assets whose use by the organization is limited by donor imposed stipulations that neither expire with passage of time nor can be fulfilled or otherwise removed by actions of the organization. At June 30, 2014 and 2013, the Organization had no permanently restricted net assets.

See Independent Auditors’ Report and the notes to these financial statements

June 30, 2014 and 2013

NOTE 2– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash and Cash Equivalents – For financial statement purposes, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Contributed Services – During the years ended June 30, 2014 and 2013, the value of contributed services meeting the requirements for recognition in the financial statements was not material.

Functional Allocation of Expenditures - The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. All direct costs have been charged to the respective functional areas. Indirect costs have been charged to programs and supporting services based on an analysis of estimated personnel time made by management, taking into account the nature of the expense and its relation to the functional area. General and administrative costs include those expenses not directly attributable to a specific function, but which contribute to overall administrative support of the Organization.

Revenue Recognition – The Organization accounts for its contributions received in accordance with ASC 958. Accordingly, contributions are recognized as revenue when they are received or unconditionally pledged.

As described above, the Organization reports gifts of cash and other assets as unrestricted support unless 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 statements of activities as net assets released from restrictions.

Income Taxes – The Organization is a not-for-profit organization and is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision has been made for federal or state income taxes in the accompanying financial statements. The Organization files a federal Form 990 tax return as an Organization Exempt from Income Tax, and is not subject to federal income tax examination for years before 2011.

Use of Estimates in Preparing 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 effect 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 such estimates and assumptions.

See Independent Auditors' Report and the notes to these financial statements

WASATCH PUBLIC MEDIA
Notes to Financial Statements

June 30, 2014 and 2013

NOTE 2– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Reclassifications - Certain financial statement items reported in the June 30, 2013 financial statements have been reclassified to conform to the June 30, 2014 financial statement presentation.

NOTE 3– REALIZATION OF ASSETS

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and assume that the Organization will continue as a going concern.

The Organization has notes payable in the amount of \$2,326,974 and \$2,326,617 at June 30, 2014 and 2013, respectively, which are secured by the assets of the Organization. The notes were originally due in September and October of 2012. However, the Organization did not have sufficient cash-flow to retire the notes.

The Organization signed a forbearance agreement dated October 31, 2014, extending the maturity date of the smaller (approximately \$523,000) of the two loans to October 31, 2015 (see Note 9), and allowing the Organization to pay less than interest-only payments (of 5.5%) through January 31, 2015, while accruing interest at the original agreed-upon rate of 7%.

The Organization is currently making interest-only payments to the holder of the \$1.8 million notes payable and has been actively working with the lender to extend, or re-work the note. Management is working with consultants affiliated with the lender in evaluating plans for improving the Organization's operations to place it on more secure financial footing. To this point the notes have not been called by the debtors, and management has not been informed of an intention to do so.

As of June 30, 2014 current liabilities exceed current assets by \$2,296,012. The Organization's operations have generated decreases in net assets for at least the past three consecutive years.

In order to improve the ability of the Organization to fund the day-to-day operations, make interest payments on the notes, and improve its debt structure, management has made changes to its programming format and significantly reduced program expenses, which resulted in reducing the decrease in net assets for the most recent year-end. As described above, management's plans also include working with its largest creditor to involve consultants in helping evaluate plans that will improve the Organization's financial footing. Management believes these efforts will ensure the ability of the Organization to fund operations, restructure its debt obligation and continue as a going concern.

See Independent Auditors' Report and the notes to these financial statements

WASATCH PUBLIC MEDIA
Notes to Financial Statements

June 30, 2014 and 2013

NOTE 4 – CASH AND CASH EQUIVALENTS

The Federal Deposit Insurance Corporation (FDIC) provides \$250,000 insurance coverage at FDIC-insured depository institutions. The Company maintains cash and cash equivalent balances at FDIC insured financial institutions. .

The Company has not experienced any losses in such accounts or lack of access to its cash, and believes it is not exposed to significant risk of loss with respect to cash.

The cash and interest bearing accounts are not subject to significant market fluctuations, thus management believes cost and market values are substantially equivalent.

NOTE 5 - UNDERWRITING RECEIVABLES, NET

Underwriting receivables consist of amounts pledged by local businesses and nonprofit organizations to support the costs of programming. Underwriting receivables consist of the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Underwriting receivables	\$ 45,678	\$ 84,944
<i>Less: allowance for doubtful accounts</i>	<u>(11,000)</u>	<u>(18,000)</u>
Underwriting receivables, net	<u>\$ 34,678</u>	<u>\$ 66,944</u>

NOTE 6 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of campaign pledges made during the pledge drive and the capital campaign, and are currently due. Promises to give are carried net of any allowance for doubtful accounts and comprise the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Unconditional promises to give	\$ 36,512	\$ 35,599
<i>Less: allowance for doubtful accounts</i>	<u>(26,050)</u>	<u>(25,050)</u>
Unconditional promises to give, net	<u>\$ 10,462</u>	<u>\$ 10,549</u>

See Independent Auditors' Report and the notes to these financial statements

WASATCH PUBLIC MEDIA
Notes to Financial Statements

June 30, 2014 and 2013

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and comprise the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Furniture and fixtures	\$ 50,522	\$ 50,522
Broadcast tower and equipment	158,619	158,619
Leasehold improvements	8,975	8,975
Total property and equipment	\$ 218,116	\$ 218,116
<i>Less: accumulated depreciation</i>	<i>(129,142)</i>	<i>(107,877)</i>
Property and equipment, net	\$ 88,974	\$ 110,239

Depreciation expense totaled \$21,264 and \$27,884 for the years ended June 30, 2014 and 2013, respectively.

NOTE 8 – BROADCAST LICENSES

Broadcast licenses consist of two FCC broadcast licenses that were purchased from an existing radio station in September 2008. The FCC licenses are carried at cost. The licenses' valuations are periodically reviewed by management by obtaining appraisals from an independent firm specializing in FCC media brokerage and appraisals. The most recent appraisal of the licenses was obtained in January of 2013. This appraisal showed the value of both licenses as exceeding its carrying value.

NOTE 9 – NOTES PAYABLE

Notes payable comprise the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Note payable to a financial institution; secured by assets of the Organization; 7% interest; interest-only payments thru 10/2012; due 10/2012	\$ 1,800,000	\$ 1,800,000
Note payable to a financial institution; secured by assets of the Organization; 7% interest; extended 5 1/2% interest payments 12/2013 to 1/2015; then principal and interest; due on 10/31/2015	523,181	526,617
	<u>2,323,181</u>	<u>2,326,617</u>
<i>Less current portion</i>	<i>(1,800,000)</i>	<i>(2,326,617)</i>
Notes payable, net of current portion	\$ 523,181	\$ -

See Independent Auditors' Report and the notes to these financial statements

WASATCH PUBLIC MEDIA
Notes to Financial Statements

June 30, 2014 and 2013

NOTE 9 – NOTES PAYABLE – (CONT'D)

The notes, including all unpaid principal and interest, were originally due in September and October 2012. However, the Organization was unable to pay the obligations as scheduled.

The Organization has been granted forbearances by the creditor of the smaller note and is making 5½ % (less-than) interest only payments (from December 2, 2013 – January 31, 2015) , while 7% interest accrues. From February 1, 2015 until October 31, 2015 interest-only payments at 7% are required until October 31, 2015, when principal and interest are due.

NOTE 10 – IN-KIND CONTRIBUTION OF OFFICE SPACE

The Organization’s office space is provided by a benefactor, and in accordance with the provisions of ASC 958, the Organization records the estimated fair value of this office space as an in-kind contribution, and also as an in-kind expense in its statement of activities. The value recorded in the financial statements for the office space is \$26,274, and \$23,991 for the years ended June 30, 2014, and 2013, respectively.

NOTE 11 – LEASES

The Organization leases office space, tower locations, and office equipment under operating leases with terms in excess of one year. Future minimum annual rental payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2014, are as follows:

<u>Years Ending June 30,</u>	<u>\$ Amount</u>
2015	\$ 26,302
2016	18,202
2017	1,000
2018	1,000
2019	1,000
Thereafter	3,833
	<u>\$ 51,337</u>

Total lease expense under operating leases with terms in excess of one year was \$25,565 and \$36,733 for the years ended June 30, 2014 and 2013, respectively.

See Independent Auditors’ Report and the notes to these financial statements

WASATCH PUBLIC MEDIA

Notes to Financial Statements

June 30, 2014 and 2013

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Company, in the normal course of business receives claims, which may occasionally rise to the level of a lawsuit. However, management does not believe that the outcome of any such matters will have a material adverse effect on the Company's financial statements.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the financial statements, through March 31, 2015, the date which the financial statements were available to be issued. No subsequent events were noted during this evaluation that required recognition or further disclosure in these financial statements.

See Independent Auditors' Report and the notes to these financial statements