WASATCH PUBLIC MEDIA DBA KCPW

FINANCIAL STATEMENTS

Years Ended June 30, 2013 and 2012

ARTHUR & JENSEN
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

WASATCH PUBLIC MEDIA DBA KCPW

We have audited the accompanying financial statements of Wasatch Public Media dba KCPW (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 dba KCPW as of June 30, 2013 and 2012, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

The accompanying financial statements have been prepared assuming that Wasatch Public Media dba KCPW will continue as a going concern. As discussed in Note 2 to the financial statements, the organization had notes payable due in September and October of 2012 and has not generated sufficient cash to retire the notes when due. In addition the organization generated a decrease in net assets for the years ended June 30, 2013 and 2012, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are described in Note 2 of the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Arritt & Jensen LLC

Salt Lake City, Utah
January 29, 2014

WASATCH PUBLIC MEDIA DBA KCPW

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 15,668	$ 34,719
Restricted cash - interest reserves	1,198	37,492
Underwriting receivables, net	66,944	174,224
Unconditional promises to give, current	10,549	28,854
Prepaid expenses and other assets	11,780	8,191
TOTAL CURRENT ASSETS	106,139	283,480
PROPERTY AND EQUIPMENT, NET	110,239	138,123
BROADCAST LICENSES	2,427,183	2,427,183
TOTAL ASSETS	$ 2,643,561	$ 2,848,786
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 471,300	$ 324,527
Accrued liabilities	1,271	5,569
Long-term debt, current	2,326,617	2,343,449
TOTAL CURRENT LIABILITIES	2,799,188	2,673,545
UNRESTRICTED NET ASSETS	(155,627)	175,241
TOTAL LIABILITIES AND NET ASSETS	$ 2,643,561	$ 2,848,786

See Notes to Financial Statements

WASATCH PUBLIC MEDIA DBA KCPW

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2013 and 2012

	2013	2012
CHANGES IN UNRESTRICTED NET ASSETS		
SUPPORT AND INCOME		
Grants	$ 117,702	$ 114,462
Contributions	557,562	1,138,844
Interest and other income	582	2,698
TOTAL SUPPORT AND INCOME	675,846	1,256,004
EXPENSES		
Programming and broadcasting	726,170	868,264
Management and general	96,839	146,527
Fundraising	183,705	264,608
TOTAL OPERATING EXPENSES	1,006,714	1,279,399
DECREASE IN NET ASSETS	(330,868)	(23,395)
NET ASSETS, BEGINNING OF YEAR	175,241	198,636
NET ASSETS, END OF YEAR	$ (155,627)	$ 175,241

See Notes to Financial Statements

WASATCH PUBLIC MEDIA DBA KCPW

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

	Programming and broadcasting	Management and general	Fundraising	Total
Payroll expense	$ 225,782	$ 23,466	$ 115,776	$ 365,024
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 and maintenance	199	2,878	-	3,077
	$ 726,170	$ 96,839	$ 183,705	$ 1,006,714

See Notes to Financial Statements

WASATCH PUBLIC MEDIA DBA KCPW

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2012

	Programming and broadcasting	Management and general	Fundraising	Total
Payroll expense	$ 314,559	$ 34,705	$ 162,952	$ 512,216
Programming	251,301	4,869	-	256,170
Interest	159,006	17,667	-	176,673
Occupancy	58,028	2,590	7,286	67,904
Contract services	226	46,157	28,870	75,253
Office expense	12,578	17,430	53,706	83,714
Bad debts	30,928	3,467	-	34,395
Depreciation and amortization	26,065	3,005	-	29,070
Other expense	8,586	1,952	11,077	21,615
Insurance	-	7,253	-	7,253
Travel	1,266	1,799	595	3,660
Advertising	203	-	122	325
Equipment rental and maintenance	5,518	5,633	-	11,151
	$ 868,264	$ 146,527	$ 264,608	$ 1,279,399

See Notes to Financial Statements

WASATCH PUBLIC MEDIA DBA KCPW

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (330,868)	$ (23,395)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	27,884	29,070
Amortization of loan costs	-	991
Decrease (increase) in operating assets:		
Unconditional promises to give	18,305	49,961
Underwriting receivables, net	107,280	(11,599)
Prepaid expenses and other assets	(3,589)	(2,392)
Increase (decrease) in operating liabilities:		
Accounts payable	146,773	125,711
Accrued liabilities	(4,298)	(65)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(38,513)	168,282
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(16,832)	(381,056)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(16,832)	(381,056)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(55,345)	(212,774)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	72,211	284,985
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 16,866	$ 72,211

SUPPLEMENTAL INFORMATION

Cash paid for interest	$ -	$ 176,673
Cash paid for income taxes	$ -	$ -

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of significant accounting policies**

Nature of activities – Wasatch Public Media dba KCPW (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 community fundraising and underwriting contributions.

Basis of presentation – The Organization prepares its financial statements on the accrual basis of accounting and follows U.S. generally accepted accounting principles for nonprofit organizations and reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted based upon the following criteria:

- **Unrestricted net assets** represent expendable funds available for operations which are not otherwise limited by donor restrictions.
- **Temporarily restricted net assets** consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.
- **Permanently restricted net assets** are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Use of estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect 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 those estimates.

Cash and cash equivalents – The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Underwriting and unconditional promises to give – Underwriting and promises to give are recorded at their estimated fair value less an appropriate allowance for uncollectible amounts. Allowances are based on historical experience and management's analysis of specific balances. An account is written-off when it is determined that all collection efforts have been exhausted. Promises to give due later than one year are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using imputed interest rates applicable to the years in which promises are received. Discounts on promises to give that are measured at present value are amortized between the date the promise to give is initially recognized and the date the cash or other contributed assets are received.

(1) Summary of significant accounting policies (continued)

Property and equipment, net – Acquisitions of property and equipment in excess of $500 and all expenditures for repairs and maintenance that materially prolong the useful lives of property and equipment are capitalized. Contributions of property and equipment are considered unrestricted unless donors stipulate how long the assets must be used in which case contributions are recorded as restricted support. Property and equipment are stated at cost less accumulated depreciation and amortization, or if acquired by donation, at estimated fair value at the date of the donation. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization is removed from the accounts and any resulting gain or loss is reflected in the statement of activities for the period.

Depreciation and amortization is computed over the following estimated useful lives using the straight-line method:

Assets	Useful Lives
Furniture and fixtures	5 - 7 years
Broadcast equipment	5 - 15 years
Computers and office equipment	3 - 5 years
Leasehold improvements	3 - 7 years

Long-lived assets – The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present for the years ended June 30, 2013 and 2012.

Loan costs – Costs to acquire the long-term debt were capitalized in the amount of $14.152 and were amortized over the term of the loan. Amortization expense was $0 and $99 for the years ended June 30, 2013 and 2012 respectively and the asset balance was $0 at both year ends.

Contributions and in-kind donations – Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire 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.

Donations of property, equipment and other goods are recorded as support at their estimated fair market value at the date of gift. These donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as temporarily restricted support and reclassified to unrestricted net assets when placed in service.

(1) Summary of significant accounting policies (continued)

Underwriting revenue – Businesses and other organizations provide underwriting to support the programming of the Organization. These commitments are considered contributions and are recognized upon execution of a written agreement.

Corporation for Public Broadcasting support – Funds are received from the Corporation for Public Broadcasting (CPB) to support the operations of the Organization. The support is recognized when the station meets the eligibility requirements and is notified the funding has been awarded.

Functional allocation of expenses – The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. All direct costs are charged to the functional area they pertain to. Indirect costs are charged to programs and supporting services based on estimates made by management, taking into account the nature of the expense and how it relates to the functional area. General and administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising costs – Advertising costs are charged to operations when incurred. Advertising expense was approximately $15,844 and $325 for the years ended June 30, 2013 and 2012, respectively.

Income taxes – The Organization qualifies as a tax-exempt organization under Section 501(C)(3) of the Internal Revenue Code, and accordingly, no provision has been made for federal or state income tax provisions, assets or liabilities. The Financial Accounting Standards Board has provided guidance for how uncertain tax positions should be recognized, measured, and disclosed in the financial statements. Management has evaluated the Organization's tax positions and determined that there are no uncertain tax positions. Tax years that remain subject to examination are for tax years 2009 and forward.

Reclassifications – Certain expense line items reported in the June 30, 2012 financial statements have been reclassified to conform to the June 30, 2013 financial statement presentation.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. The organization recognizes the effects of subsequent events that provide additional information about conditions that existed at the date of the financial position. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the financial position but arose after the financial position date and before the financial statements were available to be issued. The Organization has evaluated events occurring between the end of its fiscal year, June 30, 2013, and the date the financial statements were available to be issued.

(2) 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, secured by the assets of the Organization including the broadcast licenses, of $2,326,617 and $2,343,449 outstanding as of June 30, 2013 and 2012, respectively. Under terms of the agreements, the notes were due in September and October of 2012. The Organization did not have sufficient cash flows to retire the remaining principal of the notes payable when due.

The Organization is currently making interest-only payments to the holders of the notes payable and has been actively seeking alternative funding sources to satisfy the debt obligations. At this time the notes have not been called by the debtors and the organization has not been informed of an intention to do so. The notes are classified as current and current liabilities exceeded current assets by approximately $2,688,049 and $2,390,065 as of June 30, 2013 and 2012.

In addition the Organization generated a decrease in net assets of $330,868 and $23,396 for the years ended June 30, 2013 and 2012, respectively and cash decreased by $55,345 in 2013 and $212,774 in 2012.

In view of these matters, realization of the assets in the accompanying balance sheet is dependent upon the continuing operations of the Organization, which in turn is dependent upon the Organization's ability to raise sufficient funds to satisfy the debt obligations and cover the operating expenses of the station. In order to improve the ability of the Organization to fund the day-to-day operations, make interest payments on the notes, and retire the debt obligations management has implemented a variety measures as described below.

The Organization changed the program format in June of 2013 from a national news and programming platform to an emphasis on local format and programming. Five new programs have been introduced and three more will begin airing in the near future. This will significantly reduce program expenses and local sponsors have stepped forward to fund this type of programming.

The Organization is working to refinance the debt through loans from local foundations which are supportive of the station and with a bank if the Organization can meet their requirements.

Management believes these efforts will ensure the ability of the Organization to fund operations, retire the debt obligation and continue as a going concern.

(3) Underwriting receivables, net

Underwriting receivables consist of amounts pledged by local businesses and nonprofit organizations to support the costs of programming. Underwriting receivables consists of the following as of June 30, 2013 and 2012:

	2013	2012
Underwriting receivables	$ 84,944	$ 204,224
Less: allowance for doubtful accounts	(18,000)	(30,000)
Net underwriting receivables	$ 66,944	$ 174,224

(4) Unconditional promises to give, current

Promises to give consist of pledges made during the pledge drive and capital campaign and are all currently due. Promises to give are carried net of an allowance for doubtful accounts and consisted of the following as of June 30, 2013 and 2012:

	2013	2012
Promises to give	$ 35,599	$ 41,854
Less: allowance for doubtful accounts	(25,050)	(13,000)
Net promises to give	$ 10,549	$ 28,854

(5) Property and equipment, net

	2013	2012
Cost		
Furniture and fixtures	$ 50,522	$ 50,522
Broadcast and tower equipment	158,619	158,619
Leasehold improvements	8,975	8,975
Total cost of property and equipment	218,116	218,116
Accumulated depreciation and amortization	(107,877)	(79,993)
Net property and equipment	$ 110,239	$ 138,123

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 was $27,884 and $29,070, respectively.

(6) 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 and have an infinite life. The licenses are subject to an annual valuation review and management obtains periodic appraisals of the licenses to support the carrying value of $2,427,183 as of June 30, 2013 and 2012.

The most recent appraisal of the licenses was obtained by management in January of 2013 and performed by a firm that specializes in media brokerage, appraisals and consulting. The most recent appraisal valued the licenses at $3,140,000 which exceeds the carrying value by $712,817. Because of the inherent uncertainty involved in valuing broadcast licenses the appraised value could change in the near term based on a variety of factors.

(7) Notes payable

	2013	2012
7.0% note payable, interest only payable in monthly installments with all unpaid principal and accrued interest due October 2012. Secured by the assets of the Organization.	$ 1,800,000	$ 1,800,000
7.0% note payable, interest only payable in monthly installments with all unpaid principal and interest due September 2012. Secured by the assets of the Organization.	526,617	543,449
	$ 2,326,617	$ 2,343,449
Less: Current portion	(2,326,617)	(2,343,449)
	$ -	$ -

The debt, including all unpaid principal and interest, was due in September and October 2012; however, the Organization was unable to pay the obligations as scheduled. The Organization has been granted extensions by the creditors and is making interest only payments with which they were current as of June 30, 2013 and through the issue date of the audit. See Note 2 for additional discussion of management's plans regarding re-payment of the debt.

(8) Operating 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, 2013, are as follows:

Years Ending June 30,		
2014	$	40,988
2015		33,124
2016		4,856
2017		1,000
2018		1,000
There after		4,000
	$	84,968

Total rent and lease expense under operating leases with terms in excess of one year was $$36,733 and $44,096 for the years ended June 30, 2013 and 2012, respectively.

(9) Concentrations of credit and market risk

The Organization maintains its cash and cash equivalent balances at two financial institutions. The deposits may exceed their federally insured limits of $250,000 established by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk on these balances.

The Organization has concentrations of credit risk in underwriting revenue and receivables. All underwriters are located in Salt Lake City in a relatively small geographic area. In addition the reach of the radio signal limits their ability to acquire underwriters for their support.