

WTMD

JUNE 30, 2012

**WTMD**  
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## **Independent Auditors' Report**

To the Board of Directors of  
Towson University Foundation, Inc.

We have audited the accompanying statements of financial position of WTMD as of June 30, 2012 and 2011, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of WTMD's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WTMD as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Stoy, Malone & Company, P.C.*

Baltimore, Maryland  
January 22, 2013

**WTMD**  
**STATEMENTS OF FINANCIAL POSITION**

|  | June 30,   |            |
|--|------------|------------|
|  | 2012       | 2011       |
| <b>ASSETS</b>                                    |            |            |
| Funds held by Towson University Foundation, Inc. | \$ 274,191 | \$ 223,819 |
| Member pledges and contributions receivable      | 75,371     | 115,182    |
| Prepaid expenses and other receivables           | 302        | 6,808      |
| Property and equipment, net                      | -          | 593        |
| Total assets                                     | \$ 349,864 | \$ 346,402 |
| <b>LIABILITIES</b>                               |            |            |
| Accounts payable and accrued expenses            | \$ 66,287  | \$ 70,366  |
| Total liabilities                                | 66,287     | 70,366     |
| <b>NET ASSETS</b>                                |            |            |
| Unrestricted                                     | 263,577    | 276,036    |
| Temporarily restricted                           | 20,000     | -          |
| Total net assets                                 | 283,577    | 276,036    |
| Total liabilities and net assets                 | \$ 349,864 | \$ 346,402 |

The Notes to Financial Statements are an integral part of these statements.

**WTMD**  
**STATEMENTS OF ACTIVITIES**

|  | Year Ended June 30, 2012 |                           |                   | Year Ended<br>June 30,<br>2011 |
|--|--------------------------|---------------------------|-------------------|--------------------------------|
|  | Unrestricted             | Temporarily<br>Restricted | Total             |                                |
| <b>REVENUE</b>                           |                          |                           |                   |                                |
| Member pledges and contributions         | \$ 660,749               | \$ 20,000                 | \$ 680,749        | \$ 750,523                     |
| Radio Community Service Grant            | 110,854                  | -                         | 110,854           | 115,576                        |
| Support from Towson University           | 212,419                  | -                         | 212,419           | 172,775                        |
| Miscellaneous                            | 1,848                    | -                         | 1,848             | 1,431                          |
| Total revenue                            | <u>985,870</u>           | <u>20,000</u>             | <u>1,005,870</u>  | <u>1,040,305</u>               |
| <b>EXPENSES</b>                          |                          |                           |                   |                                |
| Program services                         |                          |                           |                   |                                |
| Programming and production               | 528,174                  | -                         | 528,174           | 548,656                        |
| Total program services                   | <u>528,174</u>           | <u>-</u>                  | <u>528,174</u>    | <u>548,656</u>                 |
| Supporting services                      |                          |                           |                   |                                |
| Fundraising, solicitation and membership | 332,745                  | -                         | 332,745           | 328,830                        |
| Management and general                   | 137,410                  | -                         | 137,410           | 151,556                        |
| Total supporting services                | <u>470,155</u>           | <u>-</u>                  | <u>470,155</u>    | <u>480,386</u>                 |
| Total expenses                           | <u>998,329</u>           | <u>-</u>                  | <u>998,329</u>    | <u>1,029,042</u>               |
| <b>CHANGES IN NET ASSETS</b>             | (12,459)                 | 20,000                    | 7,541             | 11,263                         |
| <b>NET ASSETS</b>                        |                          |                           |                   |                                |
| Beginning of year                        | <u>276,036</u>           | <u>-</u>                  | <u>276,036</u>    | <u>264,773</u>                 |
| End of year                              | <u>\$ 263,577</u>        | <u>\$ 20,000</u>          | <u>\$ 283,577</u> | <u>\$ 276,036</u>              |

The Notes to Financial Statements are an integral part of these statements.

**WTMD**  
**STATEMENTS OF CASH FLOWS**

|   | Year Ended June 30, |           |
|---|---------------------|-----------|
|   | 2012                | 2011      |
| <b>OPERATING ACTIVITIES</b>   |                     |           |
| Changes in net assets   | \$ 7,541            | \$ 11,263 |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities |                     |           |
| Depreciation  | 593                 | 3,556     |
| Changes in operating assets and liabilities   |                     |           |
| Funds held by Towson University Foundation, Inc.  | (50,372)            | (29,732)  |
| Member pledges and contributions receivable   | 39,811              | (32,486)  |
| Prepaid expenses and other receivables  | 6,506               | 6,114     |
| Accounts payable and accrued expenses   | (4,079)             | 41,285    |
| Net cash provided by operating activities   | -                   | -         |
| <b>CHANGES IN CASH</b>  | -                   | -         |
| <b>CASH</b>   |                     |           |
| Beginning of year   | -                   | -         |
| End of year   | \$ -                | \$ -      |

The Notes to Financial Statements are an integral part of these statements.

**WTMD**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

WTMD is licensed to and located at Towson University (the "University") in Towson, Maryland. WTMD is listener-supported radio that provides the Baltimore and the central Maryland region with contemporary popular music, news and cultural events coverage. WTMD supports and provides air time to local bands and artists. Academically, WTMD provides internships and independent study opportunities to University students and other volunteers.

The Towson University Foundation, Inc. (the "Foundation") is organized to receive, hold, invest, manage, use, dispose of, and administer property of all kinds whether given absolutely or in trust, or by way of agency or otherwise, for the benefit and promotion of the University, or for all of the education and support activities that may be conducted by the University. As such, the Foundation has been given the oversight responsibility of WTMD. The Foundation reports the financial activity of WTMD within its financial statements as a university program and support account.

The financial statements are prepared in accordance with the reporting requirements for public telecommunication entities as prescribed by the Corporation for Public Broadcasting (the "CPB").

**Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of the donation if received by gift. Generally, property and equipment is gifted to the University and expensed by WTMD as acquired. Property and equipment retained by WTMD is depreciated over its estimated useful life using the straight-line method.

**Member Pledges and Contributions**

WTMD engages in periodic fundraising campaigns manifested by offering some special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to WTMD 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.

Member pledges and contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

**Net Assets**

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. WTMD records any restrictions met within the same fiscal year as unrestricted revenue.

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Donated Services**

No amounts have been reflected in the financial statements for donated services, as no objective basis is available to measure the value of such services. However, a substantial number of volunteers donate significant amounts of time to WTMD's program service, fund-raising campaigns, and general administration.

Additionally, WTMD utilizes facilities and equipment of the University. The fair value of this support of \$41,999 and \$43,645 is recognized in the statement of activities as revenue and expense for June 30, 2012 and 2011.

**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 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 the 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 Station was notified by CPB that it had not maintained the Audit Service Criteria. According to CPB policy, a grantee not meeting this criteria is placed in a transition plan that will lead to the grantee's eventual removal from the CSG program should it continue to fail the criteria. The Station is in Year 1 of this transition plan. Per CPB policy, grantees in Year 1 of this transition will receive their full CSG, but will be required to set aside 25 percent of this grant to fund special projects designed to help it return to compliance with the provision. The Station will need to report the nature and status of these projects at the end of the FY 2013 CSG fiscal year (September 30, 2013).

**Functional Allocation of Expenses**

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



WTMD  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 - INCOME TAXES**

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined the Foundation is not a private foundation within the meaning of Section 509(a) of the Code.

The Foundation follows the provisions of Accounting for Uncertainty in Income Taxes under the Income Taxes Topic of the Codification. The Codification requires the evaluation of tax positions, which include maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a "more-likely-than-not" threshold of being sustained by the applicable tax authority. Management does not believe it has taken any tax position that would not meet this threshold. The Foundation's policy is to reflect interest and penalties related to uncertain tax positions as part of its income tax expense, when and if they become applicable.

The Foundation files federal and state information returns and is no longer subject to income tax examinations by major tax authorities for years prior to 2008.

**NOTE 3 - MEMBER PLEDGES AND CONTRIBUTIONS RECEIVABLE**

Member pledges and contributions receivable reflect unconditional donor pledges as of June 30, 2012 and 2011 and are expected to be collected within one year.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

|                                | <u>2012</u>   | <u>2011</u>   |
|--------------------------------|---------------|---------------|
| Membership software            | \$ 19,468     | \$ 19,468     |
| Digital audio storage system   | 17,780        | 17,780        |
|                                | <u>37,248</u> | <u>37,248</u> |
| Less: Accumulated depreciation | 37,248        | 36,655        |
|                                | <u>\$ -</u>   | <u>\$ 593</u> |

**WTMD**  
**NOTES TO FINANCIAL STATEMENTS (Cont'd.)**

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**NOTE 5 - NONFEDERAL FINANCIAL SUPPORT (NFFS)**

The CPB allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received either as a contribution or a payment and meeting all of the respective criteria for each.

A "contribution" is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution, or dissemination of educational television and related activities; and (4) the recipient must be a public broadcasting entity.

A "payment" is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, or an educational institution; (2) the form of the payments must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for educational or instructional radio programming; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS was \$893,168 and \$923,298 for 2012 and 2011, respectively.

**NOTE 6 - RETIREMENT BENEFITS**

WTMD employees are eligible to participate in the Foundation's tax deferred annuity plan (TDA), pursuant to the requirements of IRC 403(b). The TDA plan allows eligible employees to tax defer a portion of their compensation. WTMD is not required to contribute to the plan on behalf of plan participants.

WTMD employees are also eligible to participate in the Foundation's defined contribution retirement plan, pursuant to requirements of IRC 403(b). WTMD makes contributions to this plan, equal to 7.25% of compensation. The contributions to this plan vest immediately to each employee. WTMD made contributions to eligible employees totaling \$30,815 and \$35,116 during the years ended June 30, 2012 and 2011, respectively.

**NOTE 7 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 22, 2013, the date that the financial statements were available to be issued. No recognized or non-recognized subsequent events were identified for recognition or disclosure in the financial statements.

