

TOWSON UNIVERSITY PUBLIC MEDIA, INC.

JUNE 30, 2015

TOWSON UNIVERSITY PUBLIC MEDIA, INC.

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Towson University Public Media, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Towson University Public Media, Inc., which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, 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.

Auditors' 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 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**TOWSON UNIVERSITY PUBLIC MEDIA, INC.
INDEPENDENT AUDITORS' REPORT (Cont'd.)**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Towson University Public Media, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Stoy. Malon: Company, P.C.

Baltimore, Maryland
October 26, 2015

TOWSON UNIVERSITY PUBLIC MEDIA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Cash	\$ 64,352
Member pledges and contributions receivable	212,234
Prepaid expenses	<u>33,794</u>

Total assets \$ 310,380

LIABILITIES

Accounts payable and accrued expenses	\$ 58,233
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NET ASSETS - UNRESTRICTED 252,147

Total liabilities and net assets \$ 310,380

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

TOWSON UNIVERSITY PUBLIC MEDIA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2015

REVENUE

Member pledges and contributions	\$ 1,471,697
Radio Community Service Grant	118,530
Support from Towson University	827,870
Special events, net	50,598
Miscellaneous	<u>2,820</u>
Total revenue	<u>2,471,515</u>

EXPENSES

Program services	
Programming and production	<u>1,134,326</u>
Total program services	<u>1,134,326</u>
Supporting services	
Fundraising, solicitation and membership	783,612
Management and general	<u>406,112</u>
Total supporting services	<u>1,189,724</u>
Total expenses	<u>2,324,050</u>

CHANGES IN NET ASSETS 147,465

NET ASSETS

Beginning of year	<u>104,682</u>
End of year	<u>\$ 252,147</u>

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

TOWSON UNIVERSITY PUBLIC MEDIA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

OPERATING ACTIVITIES

Changes in net assets	\$ 147,465
Adjustments to reconcile change in net assets to net cash used in operating activities	
Changes in operating assets and liabilities	
Member pledges and contributions receivable	(212,234)
Prepaid expenses	(26,968)
Accounts payable and accrued expenses	<u>(33,773)</u>
Net cash used in operating activities	<u>(125,510)</u>

CHANGE IN CASH

(125,510)

CASH

Beginning of year	<u>189,862</u>
End of year	<u>\$ 64,352</u>

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

TOWSON UNIVERSITY PUBLIC MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Towson University Public Media, Inc. (TUPM) is a nonprofit affiliated foundation of Towson University (University). Its purpose is to manage WTMD, a public radio station licensed to and owned by the University.

WTMD is listener-supported radio that provides Baltimore and the central Maryland region with contemporary popular music, news and cultural events coverage, also providing support and air time to local bands and artists. Academically, WTMD provides internships and independent study opportunities to University students and other volunteers.

Pursuant to a management agreement, TUPM will manage and operate WTMD under the supervision and control of the University, as FCC licensee. TUPM will solicit and collect funds to be invested and reinvested for the financial support of WTMD. The University owns all assets of WTMD, including but not limited to the FCC license, the operational equipment, and the leasehold interest in the physical space in which WTMD operates.

Basis of Presentation

TUPM presents its financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 958-205, *Not-for-Profit Entities – Presentation of Financial Statements* (FASB ASC 958-205). Under FASB ACS 958-205, TUPM is required to report information regarding its financial position and activities according to the following three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

In addition, TUPM is required to present a statement of cash flows. Accordingly, net assets of TUPM and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of TUPM and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by TUPM.

TUPM records any restrictions met within the same fiscal year as an increase in unrestricted net assets.

TOWSON UNIVERSITY PUBLIC MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)

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

Revenue Recognition

In accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 958-605, *Not-for-Profit Entities – Revenue Recognition* (FASB ASC 958-605), unconditional contributions are generally recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give (pledges) are recognized as revenues once a valid pledge has been received. The receivable and the corresponding revenue are recognized concurrently. Conditional contributions and pledges are recorded when the conditions have been met.

Unrestricted grants are recognized as support in the statement of activities upon receipt or accrual. TUPM reports certain grants as restricted support if they are received with grantor stipulations that limit their use.

Receivable balances are stated at unpaid balance, less an allowance for doubtful accounts. TUPM provides for losses on receivable balances using the allowance method. This method is based on experience and other circumstances which may affect the collectability of the balance. Uncollectible receivables are charged off when management determines receivables will not be collected.

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 TUPM as acquired. Property and equipment retained by TUPM is depreciated over its estimated useful life using the straight-line method.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by TUPM. Volunteers also provide assistance in program and supporting services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958-605 are not met.

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.

**TOWSON UNIVERSITY PUBLIC MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)**

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

Corporation for Public Broadcasting Community Service Grants (Cont'd.)

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.

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.

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

TUPM is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, TUPM does not consider itself a private foundation within the meaning of Section 509(a) of the Code and is awaiting this determination from the Internal Revenue Service.

TUPM 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. TUPM'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.

NOTE 3 - MEMBER PLEDGES AND CONTRIBUTIONS RECEIVABLE

Member pledges and contributions receivable reflect unconditional donor pledges as of June 30, 2015 and are expected to be collected within one year.

NOTE 4 - RELATED PARTY TRANSACTIONS

Pursuant to a management agreement with the University, TUPM shall reimburse the University for a portion of the salary and benefits of the Executive Director and one support staff member as paid employees of the University. During the year ended June 30, 2015, TUPM reimbursed the University \$190,518 for salary and benefits of the Executive Director and one support staff member.

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 \$2,406,325 for the year ended June 30, 2015.

NOTE 6 - NONCASH SUPPORT AND EXPENDITURES

Administrative Support

During the year ended June 30, 2015, TUPM received \$107,960 of University support for general operating expenses, along with \$719,910 of University support for facilities and equipment. Total University support of \$827,870 is recognized in the statement of activities as revenue and expense for June 30, 2015.

In-kind Donations

During the year ended June 30, 2015, the value of contributed materials and services meeting the requirements for recognition in the financial statements amounted to \$76,619. The in-kind donations are reported as revenue and expenses in the accompanying financial statements.

**TOWSON UNIVERSITY PUBLIC MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)**

NOTE 7 - RETIREMENT BENEFITS

TUPM employees are eligible to participate in TUPM's defined contribution retirement plan, pursuant to requirements of IRC 403(b). TUPM makes contributions to this plan, equal to 7.25% of compensation. The contributions to this plan vest immediately to each employee. TUPM made contributions to eligible employees totaling \$39,030 for the year ended June 30, 2015.

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 26, 2015, 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.