

**TOWSON UNIVERSITY PUBLIC MEDIA, INC.**

**JUNE 30, 2017**

**TOWSON UNIVERSITY PUBLIC MEDIA, INC.**

**C O N T E N T S**

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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 statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, 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.

### **Auditors' 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 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.)**

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**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, 2017 and 2016, 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, Malone & Company, P.C.*

Baltimore, Maryland  
October 12, 2017

**TOWSON UNIVERSITY PUBLIC MEDIA, INC.  
STATEMENTS OF FINANCIAL POSITION**

	June 30,	
	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 153,284	\$ 97,121
Member pledges and contributions receivable	319,865	254,340
Investments	25,083	10,946
Prepaid expenses	<u>30,510</u>	<u>52,385</u>
Total assets	<u>\$ 528,742</u>	<u>\$ 414,792</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	<u>\$ 115,548</u>	<u>\$ 117,302</u>
<b>NET ASSETS</b>		
Unrestricted	393,194	295,090
Temporarily restricted	<u>20,000</u>	<u>2,400</u>
Total net assets	<u>413,194</u>	<u>297,490</u>
Total liabilities and net assets	<u>\$ 528,742</u>	<u>\$ 414,792</u>

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

**TOWSON UNIVERSITY PUBLIC MEDIA, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year ended June 30, 2017			Year ended June 30, 2016
	Unrestricted	Temporarily Restricted	Total	
<b>REVENUE</b>				
Member pledges and contributions	\$ 759,641	\$ 20,000	\$ 779,641	\$ 768,415
Underwriting	813,805	-	813,805	833,466
Radio Community Service Grant	187,323	-	187,323	154,233
Support from Towson University	762,084	-	762,084	835,911
Special events, net	74,078	-	74,078	68,145
Investment income	2,256	-	2,256	1,089
Miscellaneous	2,847	-	2,847	5,670
Net assets released from restrictions	2,400	(2,400)	-	-
Total revenue	<u>2,604,434</u>	<u>17,600</u>	<u>2,622,034</u>	<u>2,666,929</u>
<b>EXPENSES</b>				
Program services				
Programming and production	<u>1,259,521</u>	<u>-</u>	<u>1,259,521</u>	<u>1,343,690</u>
Total program services	<u>1,259,521</u>	<u>-</u>	<u>1,259,521</u>	<u>1,343,690</u>
Supporting services				
Fundraising, solicitation and membership	871,021	-	871,021	907,168
Management and general	<u>375,788</u>	<u>-</u>	<u>375,788</u>	<u>370,728</u>
Total supporting services	<u>1,246,809</u>	<u>-</u>	<u>1,246,809</u>	<u>1,277,896</u>
Total expenses	<u>2,506,330</u>	<u>-</u>	<u>2,506,330</u>	<u>2,621,586</u>
<b>CHANGES IN NET ASSETS</b>	98,104	17,600	115,704	45,343
<b>NET ASSETS</b>				
Beginning of year	<u>295,090</u>	<u>2,400</u>	<u>297,490</u>	<u>252,147</u>
End of year	<u>\$ 393,194</u>	<u>\$ 20,000</u>	<u>\$ 413,194</u>	<u>\$ 297,490</u>

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

**TOWSON UNIVERSITY PUBLIC MEDIA, INC.  
STATEMENTS OF CASH FLOWS**

	Year Ended June 30,	
	2017	2016
<b>OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 115,704	\$ 45,343
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized gain on securities	(1,606)	(849)
Gifts in kind	(12,531)	(10,097)
Changes in operating assets and liabilities		
Member pledges and contributions receivable	(65,525)	(42,106)
Prepaid expenses	21,875	(18,591)
Accounts payable and accrued expenses	(1,754)	59,069
Net cash provided by operating activities	<u>56,163</u>	<u>32,769</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	56,163	32,769
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>97,121</u>	<u>64,352</u>
End of year	<u>\$ 153,284</u>	<u>\$ 97,121</u>

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

**TOWSON UNIVERSITY PUBLIC MEDIA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**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 manages and operates WTMD under the supervision and control of the University, as FCC licensee. TUPM solicits and collects 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**

The Financial Statements are prepared on the accrual basis of accounting.

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporality restricted net assets are primarily available for WTMD's concert series.

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

**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 are recognized as revenues once a valid pledge has been received. The receivable and the corresponding revenue are recognized concurrently at estimated net realizable value if expected to be collected within one year. 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.



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

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

**Cash and cash equivalents**

TUPM considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Investments**

Investments are carried at fair value with gains and losses included on the statement of activities as changes in unrestricted net assets.

**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.

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.

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

**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.

**Recent Accounting Pronouncements**

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14 *Not-For-Profit Entities*, which contains significant changes to the financial statements requirements under the *Not-For-Profit Entities* topic of the Accounting Standards Codification. The new standard is effective for the year ending December 31, 2018. TUPM will evaluate the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

**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, 2017 and 2016, and are expected to be collected within one year.

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

**NOTE 4 - INVESTMENTS**

Investments reported at fair value are classified based on inputs used to determine the value as follows:

- Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets in active markets;
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, and;
- Level 3 - Unobservable inputs, such as reporting entity's data.

The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although TUPM believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the Fair Value hierarchy, TUPM's assets at Fair Value at June 30, 2017 and 2016:

	Assets at Fair Value Year Ended June 30, 2017	
	Level 1	Total
Equity securities	<u>\$ 25,083</u>	<u>\$ 25,083</u>
	Assets at Fair Value Year Ended June 30, 2016	
	Level 1	Total
Equity securities	<u>\$ 10,946</u>	<u>\$ 10,946</u>

**NOTE 5 - 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 years ended June 30, 2017 and 2016, TUPM reimbursed the University \$281,690 and \$75,159, respectively for salary and benefits of the Executive Director and three support staff members.

TUPM also reimbursed the University for postage expenses totaling \$25,447 and \$27,608 during the years ended June 30, 2017 and 2016, respectively.

**NOTE 6 - 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.

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

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**NOTE 6 - NONFEDERAL FINANCIAL SUPPORT (NFFS) (Cont'd.)**

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 \$2,393,018 and \$2,439,630 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 7 - NONCASH SUPPORT AND EXPENDITURES**

**Administrative Support**

During the years ended June 30, 2017 and 2016, TUPM received \$25,393 and \$106,155, respectively, of University support for general operating expenses, along with \$736,691 and \$729,756, respectively, of University support for facilities and equipment. Total University support of \$762,084 and \$835,911 is recognized in the statements of activities as revenue and expense for June 30, 2017 and 2016, respectively.

**In-kind Donations**

During the years ended June 30, 2017 and 2016, the value of contributed materials and services meeting the requirements for recognition in the financial statements amounted to \$49,771 and \$55,456, respectively. The in-kind donations are reported as revenue and expenses or investments in the accompanying financial statements.

**NOTE 8 - 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 \$43,756 and \$52,013 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 9 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 12, 2017, 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.