

WTMD

JUNE 30, 2014

WTMD
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of WTMD, which comprise the statement of financial position as of June 30, 2014, 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.

WTMD
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 WTMD as of June 30, 2014, 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.

Baltimore, Maryland
February 9, 2015

WTMD
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

Funds held by affiliated foundations	\$ 194,858
Member pledges and contributions receivable	145,878
Prepaid expenses	6,826
Property and equipment, net	-
Total assets	<u>\$ 347,562</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 92,006
Total liabilities	<u>92,006</u>

NET ASSETS

Unrestricted	<u>255,556</u>
Total net assets	<u>255,556</u>
Total liabilities and net assets	<u>\$ 347,562</u>

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

WTMD
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2014

REVENUE	
Member pledges and contributions	\$ 946,298
Radio Community Service Grant	112,463
Support from Towson University	726,486
Miscellaneous	<u>2,408</u>
Total revenue	<u>1,787,655</u>
 EXPENSES	
Program services	
Programming and production	<u>1,018,583</u>
Total program services	<u>1,018,583</u>
Supporting services	
Fundraising, solicitation and membership	590,942
Management and general	<u>229,625</u>
Total supporting services	<u>820,567</u>
Total expenses	<u>1,839,150</u>
CHANGES IN NET ASSETS	(51,495)
 NET ASSETS	
Beginning of year	<u>307,051</u>
End of year	<u>\$ 255,556</u>

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

WTMD
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

OPERATING ACTIVITIES

Changes in net assets	\$ (51,495)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in operating assets and liabilities	
Funds held by affiliated foundations	83,966
Member pledges and contributions receivable	(28,708)
Prepaid expenses	(6,318)
Accounts payable and accrued expenses	2,555
Net cash provided by operating activities	<u>-</u>

CHANGES IN CASH

-

CASH

Beginning of year	-
End of year	<u>\$ -</u>

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

WTMD
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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. Towson University (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. Academically, WTMD provides internships and independent study opportunities to University students and other volunteers.

Not for profit entities acting as affiliated foundations to the University manage and operate WTMD under the supervision and control of the University, as FCC licensee. These entities solicit and collect funds to be invested and reinvested for the financial support of WTMD.

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.

WTMD
NOTES TO FINANCIAL STATEMENTS (Cont'd.)

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 \$618,313 is recognized in the statement of activities as revenue and expense for June 30, 2014.

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.

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.

WTMD
NOTES TO FINANCIAL STATEMENTS (Cont'd.)

NOTE 2 - INCOME TAXES

The affiliated foundations charged with managing and operating WTMD are 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 affiliated foundations are not private foundations within the meaning of Section 509(a) of the Code.

The affiliated foundations follow 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 the affiliated foundations have taken any tax position that would not meet this threshold. The policies of the affiliated foundations are to reflect interest and penalties related to uncertain tax positions as part of its income tax expense, when and if they become applicable.

The affiliated foundations file federal and state information returns, of which tax years 2013, 2012, and 2011, are subject to income tax examinations by major tax authorities.

NOTE 3 - MEMBER PLEDGES AND CONTRIBUTIONS RECEIVABLE

Member pledges and contributions receivable reflect unconditional donor pledges as of June 30, 2014 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>2014</u>	<u>2013</u>
Membership software	\$ 19,468	\$ 19,468
Less: Accumulated depreciation	<u>19,468</u>	<u>19,468</u>
	<u>\$ -</u>	<u>\$ -</u>

WTMD
NOTES TO FINANCIAL STATEMENTS (Cont'd.)

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 \$1,672,784 for the year ended June 30, 2014.

NOTE 6 - RETIREMENT BENEFITS

During the fiscal year, WTMD employees were eligible to participate in a 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 a defined contribution retirement plan, pursuant to requirements of IRC 403(b). WTMD made 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 \$42,782 during the year ended June 30, 2014.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 9, 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.