# WASATCH PUBLIC MEDIA

***DBA***

KCPW
88.3FM | 105.3FM | kcpw.org

**Financial Statements**

**As of and for the Years Ended June 30, 2015 and 2014**

*Submitted by:*

Cooper Williams LLC

CERTIFIED PUBLIC ACCOUNTANTS

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SUITE # A-300
SALT LAKE CITY, UT 84101

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Cooper Williams LLC

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
**WASATCH PUBLIC MEDIA, DBA KCPW - FM**

We have audited the accompanying financial statements of **WASATCH PUBLIC MEDIA, DBA KCPW - FM** (KCPW, or the Organization), which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 auditing standards 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 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 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 as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

The accompanying financial statements have been prepared assuming that KCPW will continue as a going concern. As discussed in Note 3 to the financial statements, the Organization has a note payable that was due October 2014 secured by the assets of the Organization. The creditor on another note payable has extended the due date to October 2015. Although management is working with the major creditor to improve operations, the uncertainty surrounding the Organization's ability to re-structure or pay these notes together with its decreases in net assets in recent years raise substantial doubt regarding KCPW's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Cooper Williams L.L.C.

Salt Lake City, Utah
December 21, 2015

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## Wasatch Public Media

### DBA KCPW - FM

### Statements of Financial Position

### June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 94,830 | $ 53,772 |
| Restricted cash - interest reserves | - | 1,194 |
| Contributions receivable | | |
| Underwriting receivables, net | 28,234 | 34,678 |
| Unconditional promises to give, net | 41,548 | 10,462 |
| Other receivables | 2,040 | 3,704 |
| Prepaid expenses and other assets | 13,831 | 4,206 |
| **Total Current Assets** | **180,483** | **108,016** |
| **Property and equipment, net** | **73,041** | **88,974** |
| **Broadcast licenses** | **2,427,183** | **2,427,183** |
| | **$ 2,680,707** | **$ 2,624,173** |
| **LIABILITIES and NET ASSETS** | | |
| **Current Liabilities** | | |
| Accounts payable & accrued liabilities | $ 472,846 | $ 523,656 |
| Accrued interest payable | 180,710 | 76,579 |
| Short-term notes payable | 2,375,692 | 1,803,793 |
| **Total Current Liabilities** | **3,029,248** | **2,404,028** |
| **Notes payable** | **-** | **523,181** |
| **TOTAL LIABILITIES** | **3,029,248** | **2,927,209** |
| **UNRESTRICTED NET ASSETS** | **(348,541)** | **(303,036)** |
| **LIABILITIES AND UNRESTRICTED NET ASSETS** | **$ 2,680,707** | **$ 2,624,173** |

## Wasatch Public Media

## DBA KCPW - FM

### Statements of Activities and Changes in Net Assets

### For the Years Ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| **CHANGES IN UN-RESTRICTED NET ASSETS** | | |
| **Public Support and Income** | | |
| Grants | $ 147,198 | $ 128,742 |
| Contributions | 471,801 | 545,060 |
| Interest and other income | (262) | 163 |
| **Total Public Support and Income** | **618,737** | **673,965** |
| **Expenses** | | |
| Program service - broadcasting expenses | 299,511 | 503,993 |
| Management and general | 254,258 | 241,267 |
| Fund raising activities | 110,473 | 76,114 |
| **Total Expenses** | **664,242** | **821,374** |
| **INCREASE (DECREASE) IN NET ASSETS** | **$ (45,505)** | **$ (147,409)** |
| NET ASSETS (DEFICIT) - BEGINNING OF YEAR | (303,036) | (155,627) |
| **NET ASSETS (DEFICIT) - END OF YEAR** | **$ (348,541)** | **$ (303,036)** |

## Wasatch Public Media
## DBA KCPW - FM
### Statement of Functional Expenses
### For the Years Ended June 30, 2015 and 2014

| FUNCTIONAL EXPENSES | June 30, 2015 Program Service Expense -Broadcasting- | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Payroll expense | $ 139,558 | $ 2,731 | $ 51,464 | $ 193,753 |
| Programming | 91,023 | - | | 91,023 |
| Interest | | 123,044 | | 123,044 |
| Contract services | 10,738 | 94,028 | $ 27,423 | 132,189 |
| Office expense | (1,326) | 12,304 | 1,562 | 12,540 |
| Bad debts | | 15 | 18,006 | 18,021 |
| Depreciation and amortization | | 15,933 | | 15,933 |
| Other expense | 3,029 | (2,050) | 10,423 | 11,402 |
| Insurance | | 5,548 | | 5,548 |
| Facilities and equipment rental & maintenance | 56,489 | 2,705 | 1,595 | 60,789 |
| | **$ 299,511** | **$ 254,258** | **$ 110,473** | **$ 664,242** |

## Wasatch Public Media
## DBA KCPW - FM
### Statement of Functional Expenses
### For the Years Ended June 30, 2015 and 2014

| | June 30, 2014 | | | |
|---|---|---|---|---|
| FUNCTIONAL EXPENSES | Program Service Expense -Broadcasting- | Management and General | Fundraising | Total |
| Payroll expense | $ 293,250 | $ 235 | | $ 293,485 |
| Programming | 126,207 | - | | 126,207 |
| Interest | | 142,444 | | 142,444 |
| Occupancy | | | | - |
| Contract services | 24,275 | 22,832 | $ 9,066 | 56,173 |
| Office expense | 950 | 24,113 | 7,383 | 32,446 |
| Bad debts | | 1,000 | 12,897 | 13,897 |
| Depreciation and amortization | | 21,264 | | 21,264 |
| Other expense | 428 | 14,900 | 39,482 | 54,810 |
| Insurance | | 7,693 | | 7,693 |
| Travel | | | | - |
| Advertising | | | | - |
| Equipment rental & Maintenance | 58,883 | 6,786 | 7,286 | 72,955 |
| | **$ 503,993** | **$ 241,267** | **$ 76,114** | **$ 821,374** |

## Wasatch Public Media
## DBA KCPW - FM

### Statement of Cash Flows

### For the Years Ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| **Change in net assets:** | **$ (45,505)** | **$ (147,409)** |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 15,933 | 21,264 |
| Provision for bad debts | 18,021 | 12,894 |
| Changes in current assets and liabilities: | | |
| Underwriting receivables | 6,444 | 19,460 |
| Unconditional promises to give | (49,107) | |
| Other receivables | 1,664 | |
| Prepaid and other assets | (9,625) | 3,870 |
| Accounts payable & accrued liabilities | (50,810) | 51,442 |
| Accrued interest expense | 104,131 | 76,579 |
| **Net Cash Provided by (Used in) Operating Activities** | **(8,854)** | **38,100** |
| **Cash Flows From Investing Activities** | | |
| | - | - |
| **Net Cash Provided by Investing Activities** | **-** | **-** |
| **Cash Flows From Financing Activities** | | |
| Payments on miscellaneous short-term borrowings | (1,282) | - |
| Cash proceeds from note payable | 50,000 | |
| **Net Cash Provided by Financing Activities** | **48,718** | **-** |
| **Net Increase in Cash** | **$ 39,864** | **$ 38,100** |
| Cash at Beginning of Year | 54,966 | 16,866 |
| **Cash at End of Year** | **$ 94,830** | **$ 54,966** |
| **Supplemental Disclosure of Cash Flow Information:** | | |
| Cash paid during the year for interest | $ 22,714 | $ 142,444 |
| Cash paid during the year for taxes | $ - | $ - |

## NOTE 1 - ORGANIZATION AND PURPOSE

**WASATCH PUBLIC MEDIA, DBA KCPW - FM** ("KCPW, or 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 pledge drives, community fundraising and philanthropic underwriting contributions.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The Organization prepares its financial statements using the accrual basis of accounting, and accounting policies conform to US generally accepted accounting principles. The following accounting policies are considered to be significant:

KCPW has adopted Accounting Standards Codification 720-25, Contributions Made (ASC 720-25). This accounting standard affects the way in which contributions of cash and services are recorded and reported.

The Organization has adopted Accounting Standards Codification 958, Not-For-Profit-Entities (ASC 958). This accounting standard affects the format of financial statements and the display of certain information. It requires the reporting in financial statements of net assets and changes therein according to three groupings: unrestricted, temporarily restricted and permanently restricted net assets.

- ***Unrestricted Net Assets*** are neither permanently restricted nor temporarily restricted by donor stipulations.
- ***Temporarily Restricted Net Assets*** result from contributions and other inflows of assets whose use is limited by donor imposed stipulations that either expire with passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations. At June 30, 2015 and 2014, the Organization had no temporarily restricted net assets.
- ***Permanently Restricted Net Assets*** result from contributions and other inflows of assets whose use by the organization is limited by donor imposed stipulations that neither expire with passage of time nor can be fulfilled or otherwise removed by actions of the organization. At June 30, 2015 and 2014, the Organization had no permanently restricted net assets.

**Cash and Cash Equivalents –** For financial statement purposes, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Contributed Services –** In accordance with ASC 958, the Organization records the estimated fair value of contributed services, meeting the requirements for financial statement recognition of ASC 958, as an in-kind contribution, and also as an in-kind expense in its statement of activities.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Functional Allocation of Expenditures -** The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. All direct costs have been charged to the respective functional areas. Indirect costs have been charged to programs and supporting services based on an analysis of estimated personnel time made by management, taking into account the nature of the expense and its relation to the functional area. General and administrative costs include those expenses not directly attributable to a specific function, but which contribute to overall administrative support of the Organization.

**Revenue Recognition –** The Organization accounts for its contributions received in accordance with ASC 958. Accordingly, contributions are recognized as revenue when they are received or unconditionally pledged.

As described above, the Organization reports gifts of cash and other assets as unrestricted support unless they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Income Taxes –** The Organization is a not-for-profit organization and is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision has been made for federal or state income taxes in the accompanying financial statements. The Organization files a federal Form 990 tax return as an Organization Exempt from Income Tax, and is not subject to federal income tax examination for years before 2012.

**Use of Estimates in Preparing Financial Statements –** 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 effect 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 such estimates and assumptions.

**Reclassifications -** Certain financial statement items reported in the June 30, 2014 financial statements have been reclassified to conform to the June 30, 2015 financial statement presentation.

## NOTE 3 - 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 in the amount of $2,375,692 and $2,326,974 at June 30, 2015 and 2014, respectively, which are secured by the assets of the Organization. The notes were originally due in September and October of 2012. However, the Organization did not have sufficient cash-flow to retire the notes.

## NOTE 3 - REALIZATION OF ASSETS (CONT'D)

The Organization signed a forbearance agreement dated October 31, 2014, extending the maturity date of the smaller of the two loans (approximately $523,000) to October 31, 2015 (see Note 9), and allowing the Organization to pay less than interest-only payments (of 5.5%) through January 31, 2015, while accruing interest at the original agreed-upon rate of 7%.

The larger of the notes ($1.8 million) became due October 2014. Organization management has been actively working with the holder of the note to extend or re-work the note. Management has also been working with consultants affiliated with the lender to improve the Organization's operations, placing it on more secure financial footing. Management believes the lender is encouraged by efforts to improve operations, as the Organization was able to improve its decrease in net assets by almost $100k in the current year. Most recent discussions with the note-holder point to potential re-work terms including requirements that KCPW meet specified revenue and other reporting metrics, which management believes are achievable.

Although the $1.8 million note is currently in default, to this point the note has not been called, and management has not been informed of an intention to do so. The Organization has unpaid, accrued interest owing on the $1.8 million note payable totaling about $158,000.

As of June 30, 2015 current liabilities exceed current assets by $2,848,765. The Organization's operations have generated decreases in net assets for at least the past three consecutive years.

In order to improve the ability of the Organization to fund the day-to-day operations, make interest payments on the notes, and improve its debt structure, management has made changes to its programming format and significantly reduced program expenses, which resulted in reducing the decrease in net assets for the most recent year-end. As described above, management's plans also include a continued working relationship with its largest creditor and its consultants implementing plans to improve the Organization's financial footing. Management believes these efforts will ensure the ability of the Organization to fund operations, restructure its debt obligation and continue as a going concern.

## NOTE 4 - CASH AND CASH EQUIVALENTS

The Federal Deposit Insurance Corporation (FDIC) provides $250,000 insurance coverage at FDIC-insured depository institutions. The Company maintains cash and cash equivalent balances at FDIC insured financial institutions.

The Company has not experienced any losses in such accounts or lack of access to its cash, and believes it is not exposed to significant risk of loss with respect to cash.

The cash and interest bearing accounts are not subject to significant market fluctuations, thus management believes cost and market values are substantially equivalent.

## NOTE 5 - UNDERWRITING RECEIVABLES

Underwriting receivables consist of amounts pledged by local businesses and nonprofit organizations to support the costs of programming. Underwriting receivables consist of the following as of June 30, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Underwriting receivables | $ 32,359 | $ 45,678 |
| *Less: allowance for doubtful accounts* | (4,125) | (11,000) |
| **Underwriting receivables, net** | **$ 28,234** | **$ 34,678** |

## NOTE 6 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of campaign pledges made during the pledge drive and the capital campaign, and are currently due. Promises to give are carried net of any allowance for doubtful accounts and comprise the following at June 30, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Unconditional promises to give | $ 64,048 | $ 36,512 |
| *Less: allowance for doubtful accounts* | (22,500) | (26,050) |
| **Unconditional promises to give, net** | **$ 41,548** | **$ 10,462** |

## NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, and comprise the following at June 30, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Furniture and fixtures | $ 50,522 | $ 50,522 |
| Broadcast tower and equipment | 158,619 | 158,619 |
| Leasehold improvements | 8,975 | 8,975 |
| **Total property and equipment** | **$ 218,116** | **$ 218,116** |
| *Less: accumulated depreciation* | (145,075) | (129,142) |
| **Property and equipment, net** | **$ 73,041** | **$ 88,974** |

Depreciation expense totaled $15,933 and $21,264 for the years ended June 30, 2015 and 2014, respectively.

## NOTE 8 - 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. The licenses' valuations are periodically reviewed by management by obtaining appraisals from an independent firm specializing in FCC media brokerage and appraisals. The most recent appraisal of the licenses was obtained in January of 2013. This appraisal showed the value of both licenses as exceeding its carrying value.

## NOTE 9 - NOTES PAYABLE

Notes payable comprise the following at June 30, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Note payable to a financial institution; secured by assets of the Organization; 5% interest; interest-only payments thru 10/2012; due 10/2014 | $ 1,800,000 | $ 1,800,000 |
| Note payable to a financial institution; secured by assets of the Organization; 7% interest accrues; 5 1/2% interest payments 12/2013 to 1/2015; then principal and interest; due on 10/31/2015 | 523,181 | 523,181 |
| Miscellaneous short-term borrowings | 52,511 | 3,793 |
| | 2,375,692 | 2,326,974 |
| *Less current portion* | (2,375,692) | (1,803,793) |
| **Notes payable, net of current portion** | **$ -** | **$ 523,181** |

The notes, including all unpaid principal and interest, were originally due in September and October 2012. However, the Organization was unable to pay the obligations as scheduled, and obtained amendments extending the notes to the dates noted above (also see Note 3).

The Organization has been granted forbearances by the creditor of the smaller note and is making 5½ % (less-than) interest only payments (from December 2, 2013 – January 31, 2015) , while 7% interest accrues. From February 1, 2015 until October 31, 2015 interest-only payments at 7% are required until October 31, 2015, when principal and interest are due.

## NOTE 10-IN-KIND CONTRIBUTION OF OFFICE SPACE AND CONTRIBUTED SERVICES

**In-kind Contribution of Office Space** A portion of the rental for the Organization's office space is provided by a benefactor, and in accordance with the provisions of ASC 958, the Organization records the estimated fair value of this office space as an in-kind contribution, and also as an in-kind expense in its statement of activities. The value recorded in the financial statements for the office space is $27,860, and $26,274 for the years ended June 30, 2015, and 2014, respectively.

## NOTE 10-IN-KIND CONTRIBUTION OF OFFICE SPACE AND CONTRIBUTED SERVICES (CONT'D)

**Contributed Services –** During the year ended June 30, 2015, the Organization recorded the following contributed services, meeting requirements for recognition in the financial statements. The value recorded in the financial statements for the contributed services is $42,890, for the year ended June 30, 2015.

## NOTE 11-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, 2015, are as follows:

| Years Ending June 30, | $ Amount |
|---|---|
| 2016 | $ 18,202 |
| 2017 | 1,000 |
| 2018 | 1,000 |
| 2019 | 1,000 |
| 2020 | 1,000 |
| **Thereafter** | 1,833 |
| | **$ 24,035** |

Total lease expense under operating leases with terms in excess of one year was $26,302 and $25,565 for the years ended June 30, 2015 and 2014, respectively.

## NOTE 12-COMMITMENTS AND CONTINGENCIES

The Company, in the normal course of business receives claims, which may occasionally rise to the level of a lawsuit. However, management does not believe that the outcome of any such matters will have a material adverse effect on the Company's financial statements.

## NOTE 13-SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the financial statements, through December 21, 2015, the date which the financial statements were available to be issued. No subsequent events were noted during this evaluation that required recognition or further disclosure in these financial statements.