



AUDITED FINANCIAL STATEMENTS

Years ended June 30, 2019 and 2018

WAMC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
WAMC

Financial Statements: We have audited the accompanying financial statements of WAMC (a nonprofit public telecommunications entity), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities 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.

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 WAMC as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Albany, New York
October 24, 2019

WAMC
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,587,757	\$ 2,396,943
Pledges receivable	111,203	64,865
Underwriting and other receivables	463,110	512,010
Other current assets	<u>362,939</u>	<u>160,728</u>
Total current assets	3,525,009	3,134,546
NET PROPERTY AND EQUIPMENT	5,223,742	5,366,013
INVESTMENTS	<u>1,255,999</u>	<u>1,238,782</u>
	<u><u>\$ 10,004,750</u></u>	<u><u>\$ 9,739,341</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 47,184	\$ 109,557
Accrued compensation costs	348,112	331,447
Deferred revenue	349,939	342,074
Other current liabilities	<u>78,085</u>	<u>90,572</u>
Total current liabilities	823,320	873,650
NET ASSETS		
Net assets without donor restriction	<u>9,181,430</u>	<u>8,865,691</u>
	<u><u>\$ 10,004,750</u></u>	<u><u>\$ 9,739,341</u></u>

See notes to financial statements.

WAMC
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUE AND OTHER SUPPORT		
<i>Programming:</i>		
Member support	\$ 3,558,278	\$ 4,340,085
Underwriting	<u>3,198,045</u>	<u>3,180,371</u>
Total programming	<u>6,756,323</u>	<u>7,520,456</u>
<i>Grants:</i>		
Corporation for Public Broadcasting	414,695	394,657
New York State Education Department	58,471	58,471
Programming and other grants	<u>135,017</u>	<u>114,827</u>
Total grants	<u>608,183</u>	<u>567,955</u>
<i>Other revenues:</i>		
Performing arts studio	199,160	183,489
Rental revenue	138,719	100,546
Other support and revenue	<u>119,640</u>	<u>125,282</u>
Total revenue and other support	<u>7,822,025</u>	<u>8,497,728</u>
EXPENSES		
<i>Program services:</i>		
Programming and production	2,949,729	2,881,945
Broadcasting	1,408,968	1,391,530
Program information	<u>289,289</u>	<u>288,870</u>
Total program services	<u>4,647,986</u>	<u>4,562,345</u>
<i>Supporting services:</i>		
Fund raising	2,019,809	2,148,733
Management and general	<u>868,512</u>	<u>923,239</u>
Total supporting services	<u>2,888,321</u>	<u>3,071,972</u>
Total expenses	<u>7,536,307</u>	<u>7,634,317</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT TRANSACTIONS	285,718	863,411
REALIZED AND UNREALIZED GAINS ON INVESTMENT TRANSACTIONS	<u>30,021</u>	<u>135,516</u>
CHANGE IN NET ASSETS	315,739	998,927
Net assets, beginning of year	<u>8,865,691</u>	<u>7,866,764</u>
Net assets, end of year	<u><u>\$ 9,181,430</u></u>	<u><u>\$ 8,865,691</u></u>

See notes to financial statements.

WAMC
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 315,739	\$ 998,927
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	481,947	505,023
Donation of securities	(34,434)	(25,837)
Realized and unrealized gains on investment transactions	(30,021)	(135,516)
Changes in:		
Pledges receivable	(46,338)	(8,979)
Underwriting and other receivables	48,900	(18,444)
Other current assets	(202,211)	2,866
Accounts payable	(62,373)	49,115
Accrued compensation costs	16,665	86,506
Deferred revenue	7,865	106,658
Other current liabilities	(12,487)	(15,089)
Net cash provided by operating activities	<u>483,252</u>	<u>1,545,230</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(327,560)	(163,630)
Proceeds from sale of investments	374,798	233,954
Acquisition of property and equipment	(339,676)	(1,477,948)
Net cash used in investing activities	<u>(292,438)</u>	<u>(1,407,624)</u>
Change in cash and cash equivalents	190,814	137,606
Cash and cash equivalents, beginning of year	<u>2,396,943</u>	<u>2,259,337</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,587,757</u></u>	<u><u>\$ 2,396,943</u></u>

See notes to financial statements.

WAMC
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization - WAMC is a nonprofit public telecommunications entity, organized in 1981, with broadcasting coverage in New York State and western New England. As a publicly supported radio station, WAMC receives substantially all of its support and revenue from listeners, corporate underwriters, and under various federal and state grants.

Basis of Accounting - WAMC's financial statements are prepared in accordance with generally accepted accounting principles and the principles of accounting and financial reporting for public telecommunications entities issued by the Corporation for Public Broadcasting (CPB). Under CPB accounting principles, the Statement of Activities is intended to present functional type expenditure classifications, which reflect both program and supporting services. The specific program and supporting services functional classifications, as presented in the financial statements, are defined by CPB.

Recently Adopted Accounting Standard - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This ASU applies to not-for-profit entities and the users of their general-purpose financial statements. During the year ended June 30, 2019, WAMC adopted this ASU and, in this regard, certain additional required disclosures are presented in Notes 8, 10, and 11 of the financial statements. Adoption of this ASU did not have a material impact of the financial statements.

Financial Statement Presentation - The financial statements of WAMC follow generally accepted accounting principles which establish standards for financial reporting by not-for-profit organizations and require that resources be classified for accounting and reporting purposes into certain net asset categories according to externally (donor) imposed restrictions. Accordingly, when applicable, WAMC records contributions received as net assets with donor restriction or net assets without donor restriction depending on the existence and/or nature of any donor restrictions.

Cash and Cash Equivalents - WAMC considers all highly liquid investments (such as money market accounts) to be cash equivalents. WAMC places its cash with high quality financial institutions. Cash balances, however, are generally in excess of FDIC insurance limits.

Receivables - Receivables, which principally arise from on-air acknowledgements of corporate underwriting, are periodically evaluated by management for collectibility. Management has elected to record bad debt expense using the direct write-off method. At such time as underwriting or other receivables are determined to be uncollectible, accounts are written-off to bad debts. Generally accepted accounting principles require that the allowance method be used to reflect bad debt expense. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed. Pledges receivable, as more fully disclosed under Note 2, principally arise from member fund drives. Multi-year pledges, when applicable, are stated at fair value, using the present value of estimated future cash flows discounted at an appropriate rate.

Other Current Assets - Other current assets are principally comprised of amounts paid to program producers (for programming to be provided subsequent to the end of the fiscal year) and certain prepaid insurance costs.

Property and Equipment - As more fully disclosed under Note 3, property and equipment, including broadcast licenses acquired through the acquisition of property and equipment, is recorded at cost or, if donated, at fair value determined at date of acquisition. The carrying amounts of assets, and the related accumulated depreciation, are removed from the accounts at the time of asset disposition. Depreciation of property and equipment is computed utilizing the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years. Maintenance costs and repairs are charged to expense as incurred.

WAMC
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - Investments in marketable securities are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in the Change in Net Assets for each year within the Statements of Activities. Interest and dividends are included in the Statements of Activities as a component of Other Revenues.

Accrued Compensation Costs - The liability account Accrued Compensation Costs includes salaries and related benefits earned by employees, but not yet paid, as of WAMC's fiscal year end.

Barter Transactions - WAMC provides certain broadcast services (principally underwriting) in exchange for certain vendor equipment, merchandise and services. The estimated fair value of the vendor equipment, merchandise or services received and the corresponding obligation to provide broadcast services are both recorded in the financial statements. Deferred barter costs are expensed or capitalized as they are used, consumed or received. Deferred barter revenue, a component of Deferred Revenue in the Statements of Financial Position, is recognized as the related underwriting is aired.

Revenue and Other Support - WAMC receives substantially all of its support and revenue from listeners, underwriters and under various federal and state grants. Member contributions, grants, programming and underwriting revenues are recorded as revenue in the period earned. Other support and revenue, a component of revenues on the statements of activities, was principally comprised of gifts under an automobile donation program and certain in-kind contributions.

Income Taxes - WAMC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. WAMC follows guidance issued by the Financial Accounting Standards Board regarding accounting for uncertainty in income taxes. The income tax positions taken by WAMC for any years open under the various statutes of limitations are that WAMC continues to be exempt from income taxes.

Estimates and Assumptions - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Subsequent Events - Subsequent events have been evaluated through October 24, 2019, the date the financial statements were available to be issued.

Reclassifications - Certain 2018 financial statement line items have been reclassified to conform with the current year's presentation.

NOTE 2: PLEDGES RECEIVABLE

Pledges receivable principally include contributions and other commitments from various businesses, foundations, and individuals received in connection with WAMC's member fund drives. During the years ended June 30, 2019 and 2018, WAMC completed three member fund drives in each year – one in October, one in February, and one in June. The timing of the June fund drives is such that \$111,203 and \$64,865 was recognized as pledges receivable at June 30, 2019 and 2018, respectively, with the pledges receivable generally collected in July and August of the following fiscal year.

WAMC
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	June 30	
	2019	2018
Land	\$ 1,063,725	\$ 1,063,725
Buildings and improvements	3,276,401	3,177,848
Studio and other broadcast equipment	7,509,323	7,382,195
Furniture and office equipment	1,042,233	970,087
Transportation equipment	119,341	77,493
	<u>13,011,023</u>	<u>12,671,348</u>
Less accumulated depreciation	<u>7,787,281</u>	<u>7,305,335</u>
Net property and equipment	<u>\$ 5,223,742</u>	<u>\$ 5,366,013</u>

Depreciation expense was \$481,947 and \$505,023 for the years ended June 30, 2019 and 2018, respectively.

NOTE 4: INVESTMENTS

WAMC's financial reporting framework provides for a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 inputs are unadjusted quoted market prices in active markets that are accessible at the measurement date for identical assets.
- Level 2 inputs are inputs (other than quoted prices included in Level 1) that are observable for the asset, either directly or indirectly.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used are designed to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation methodologies consistently used for investments follows:

Common stocks, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value (NAV) of shares held.

WAMC
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 4: INVESTMENTS (Continued)

All of WAMC's investments at both June 30, 2019 and 2018 were classified utilizing Level 1 inputs.

The following table sets forth WAMC's investments:

	June 30, 2019			June 30, 2018		
	Fair Market Value	Cost Basis	Unrealized Gain (Loss)	Fair Market Value	Cost Basis	Unrealized Gain (Loss)
Equity Securities	\$ 637,567	\$ 491,707	\$ 145,860	\$ 691,712	\$ 499,010	\$ 192,702
Equity Mutual Funds	234,086	155,788	78,298	264,099	155,882	108,217
Debt Security Mutual Funds	320,018	327,912	(7,894)	234,444	248,978	(14,534)
Other Mutual Funds	64,328	56,982	7,346	48,527	40,639	7,888
	<u>\$ 1,255,999</u>	<u>\$ 1,032,389</u>	<u>\$ 223,610</u>	<u>\$ 1,238,782</u>	<u>\$ 944,509</u>	<u>\$ 294,273</u>

Realized and unrealized net gains on investment transactions, as presented in the Statements of Activities, are comprised of the following:

	Year Ended June 30	
	2019	2018
Realized gains	\$ 100,684	\$ 46,183
Unrealized (loss) gains	(70,663)	89,333
Net gains	<u>\$ 30,021</u>	<u>\$ 135,516</u>

WAMC's investments are exposed to a variety of market uncertainties, including interest rate and credit risks. The level of risk is such that it is possible that changes in the values of WAMC's investments could occur in the near term and such changes could materially affect the future amounts reported in the financial statements.

NOTE 5: LINE OF CREDIT BORROWINGS

WAMC entered into a revolving line of credit agreement with NBT Bank as of December 12, 2017. Under the agreement, WAMC has available a \$500,000 line of credit, collateralized by all business assets. The agreement provides for borrowings at the prime lending rate (5.50% at June 30, 2019).

There were no borrowings under this credit facility in the years ending June 30, 2019 and 2018.

WAMC
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 6: LEASE OBLIGATIONS

WAMC leases various properties in connection with their utilization of broadcasting towers and transmitters at locations in New York and Massachusetts. Leases expire at various dates through 2028. Some of the leases contain renewal provisions with terms similar to the current agreements, and others with terms to be negotiated at the time of renewal. The approximate future minimum lease obligations are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2020	\$ 319,000
2021	237,000
2022	220,000
2023	202,000
2024	134,000
Thereafter	<u>195,000</u>
	<u><u>\$1,307,000</u></u>

Total expense under all operating leases was approximately \$345,000 and \$375,000 for the years ended June 30, 2019 and 2018, respectively.

NOTE 7: RETIREMENT PLAN

WAMC participates in a salary reduction defined contribution retirement plan administered by TIAA-CREF, which covers all full-time employees. The plan provides that WAMC match each employee's elective deferrals up to 3.5% of total salary. WAMC's policy is to fund retirement expense accrued. Total retirement expense for the years ended June 30, 2019 and 2018 was approximately \$69,100 and \$64,800, respectively. Participant plan contributions are made on a tax-deferred basis in accordance with Section 403(b) of the Internal Revenue Code.

NOTE 8: NET ASSETS

Net assets without donor restriction are comprised of the following:

	<u>June 30</u>	
	<u>2019</u>	<u>2018</u>
Board Designated First Amendment Fund	\$ 945,039	\$ 922,269
Other net assets without donor restriction	<u>8,236,391</u>	<u>7,943,422</u>
Total net assets without donor restriction	<u><u>\$9,181,430</u></u>	<u><u>\$8,865,691</u></u>

In 2005, WAMC's Board of Trustees established the First Amendment Fund to promote and preserve the First Amendment, and the right of free speech that it guarantees, by providing a source of funding to support WAMC if special situations or needs should arise. Use of the First Amendment Fund is at the discretion of the Board of Trustees and, as such, the net assets in the Fund are classified as net assets without donor restriction – board designated.

WAMC
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 9: DEFERRED GIVING ARRANGEMENTS

WAMC enters into deferred giving agreements with donors to accept and administer various charitable gift annuities. WAMC manages and invests these assets until the agreement expires and the assets are distributed. Split-interest agreements provide for payments to the donors or their beneficiaries based upon either the income earned on related investments or specified annuity amounts. Assets held under these arrangements approximated \$331,000 and \$353,000 at June 30, 2019 and 2018, respectively, and are reported as a component of Investments in the accompanying Statements of Financial Position (see Note 4).

Contribution revenue is recognized at the date the trust or annuity contract is established after recording liabilities for the present value of the estimated future payments expected to be made to the donors and/or other beneficiaries. The liabilities for these arrangements, which approximated \$78,100 and \$90,600 at June 30, 2019 and 2018, respectively, are adjusted annually for amortization of the discount and other changes in the estimate of future payments. Such liabilities are reported as a component of Other Current Liabilities in the accompanying Statements of Financial Position.

NOTE 10: LIQUIDITY AND AVAILABILITY

WAMC's significant financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$2,587,757
Pledges receivable	111,203
Underwriting and other receivables	384,025
Investments	<u>331,197</u>
Net assets available for general expenditures	<u>\$3,414,182</u>

WAMC also has \$500,000 available under a line of credit at June 30, 2019, as described in detail at Note 5. In addition, WAMC generated approximately \$483,000 in operating cash flow in the year ending June 30, 2019. The nature of WAMC's operations is such that there is no reason to believe similar results will not occur in fiscal year 2020.

WAMC
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 11: FUNCTIONAL CLASSIFICATION OF EXPENSES

WAMC's functional expenses for the year ending June 30, 2019, with comparative totals as of June 30, 2018, are as follows:

	<u>Program Services</u>				<u>Supporting Services</u>		<u>June 30, 2019 Totals</u>	<u>June 30, 2018 Totals</u>
	<u>Programming and Production</u>	<u>Broadcasting</u>	<u>Program Information</u>	<u>Total Program Services</u>	<u>Fund Raising</u>	<u>Management and General</u>		
Salaries	\$ 1,068,516	\$ 386,152	\$ 87,663	\$ 1,542,331	\$ 1,430,917	\$ 260,686	\$ 3,233,934	\$ 3,282,429
Other payroll related expenses	228,709	84,924	23,516	337,149	233,219	62,541	632,909	626,689
Professional and consulting services	7,162	19,741	-	26,903	4,275	46,823	78,001	88,642
Office supplies	8,614	1,904	747	11,265	3,762	11,859	26,886	30,998
Telephone	24,961	15,366	787	41,114	12,434	11,665	65,213	82,034
Rentals	31,823	399,025	-	430,848	163	17,609	448,620	400,301
Building supplies and expense	-	-	-	-	-	8,561	8,561	9,608
Travel	33,081	4,918	95	38,094	31,047	8,223	77,364	84,662
Program acquisition and production costs	1,243,669	30,000	49,936	1,323,605	-	-	1,323,605	1,288,355
Printing and publications	82,404	-	101,949	184,353	33,881	13,426	231,660	242,660
Utilities	40,427	129,450	-	169,877	-	50,413	220,290	220,102
Insurance	48,380	30,032	7,590	86,002	12,562	24,314	122,878	114,464
Depreciation	20,724	264,589	-	285,313	-	196,634	481,947	505,023
Postage and shipping	264	788	292	1,344	32,362	14,364	48,070	60,555
Premiums	-	-	-	-	68,796	-	68,796	134,612
Repairs and maintenance	45,569	29,338	-	74,907	2,721	69,957	147,585	158,140
Dues and subscriptions	38,214	3,676	20	41,910	28,509	7,478	77,897	74,689
Computer networking	14,008	4,467	12,026	30,501	13,580	12,497	56,578	55,704
Credit card charges	-	-	-	-	86,338	22,974	109,312	133,444
Other expenses	13,204	4,598	4,668	22,470	25,243	28,488	76,201	41,206
	<u>\$ 2,949,729</u>	<u>\$ 1,408,968</u>	<u>\$ 289,289</u>	<u>\$ 4,647,986</u>	<u>\$ 2,019,809</u>	<u>\$ 868,512</u>	<u>\$ 7,536,307</u>	<u>\$ 7,634,317</u>

Certain functional expenses, including salaries and other payroll related expenses, are allocated by management utilizing an allocation methodology based on estimated time worked by personnel in each category. All remaining expenses are reported to each program and support function based on actual expense incurred.