



AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Years ended June 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information: Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

UHY LLP

Albany, New York
October 17, 2018

WAMC
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,396,943	\$ 2,259,337
Pledges receivable	64,865	55,886
Underwriting and other receivables	512,010	493,566
Other current assets	<u>160,728</u>	<u>163,594</u>
Total current assets	3,134,546	2,972,383
NET PROPERTY AND EQUIPMENT	5,366,013	4,393,088
INVESTMENTS	<u>1,238,782</u>	<u>1,147,753</u>
	<u><u>\$ 9,739,341</u></u>	<u><u>\$ 8,513,224</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 109,557	\$ 60,442
Accrued compensation costs	331,447	244,941
Deferred revenue	342,074	235,416
Other current liabilities	<u>90,572</u>	<u>105,661</u>
Total current liabilities	873,650	646,460
NET ASSETS		
Unrestricted net assets	<u>8,865,691</u>	<u>7,866,764</u>
	<u><u>\$ 9,739,341</u></u>	<u><u>\$ 8,513,224</u></u>

See notes to financial statements.

WAMC
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUE AND OTHER SUPPORT		
<i>Programming:</i>		
Member support	\$ 4,340,085	\$ 3,662,794
Underwriting	<u>3,180,371</u>	<u>3,022,086</u>
Total programming	<u>7,520,456</u>	<u>6,684,880</u>
<i>Grants:</i>		
Corporation for Public Broadcasting	394,657	415,551
New York State Education Department	58,471	60,560
Programming and other grants	<u>114,827</u>	<u>117,547</u>
Total grants	<u>567,955</u>	<u>593,658</u>
<i>Other revenues:</i>		
Performing arts studio	183,489	169,745
Rental revenue	100,546	18,201
Interest and dividends	18,333	15,705
Other support and revenue	<u>125,282</u>	<u>83,044</u>
Total revenue and other support	<u>8,516,061</u>	<u>7,565,233</u>
EXPENSES		
<i>Program services:</i>		
Programming and production	2,881,945	2,770,893
Broadcasting	1,391,530	1,142,419
Program information	<u>288,870</u>	<u>286,367</u>
Total program services	<u>4,562,345</u>	<u>4,199,679</u>
<i>Supporting services:</i>		
Fund raising	2,148,733	1,865,145
Management and general	<u>941,572</u>	<u>897,849</u>
Total supporting services	<u>3,090,305</u>	<u>2,762,994</u>
Total expenses	<u>7,652,650</u>	<u>6,962,673</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT TRANSACTIONS	863,411	602,560
REALIZED AND UNREALIZED GAINS ON INVESTMENT TRANSACTIONS	<u>135,516</u>	<u>144,009</u>
CHANGE IN NET ASSETS	998,927	746,569
Net assets, beginning of year	<u>7,866,764</u>	<u>7,120,195</u>
Net assets, end of year	<u><u>\$ 8,865,691</u></u>	<u><u>\$ 7,866,764</u></u>

See notes to financial statements.

WAMC
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 998,927	\$ 746,569
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	505,023	405,009
Donation of securities	(25,837)	(26,461)
Realized and unrealized gains on investment transactions	(135,516)	(144,009)
Changes in:		
Pledges receivable	(8,979)	(2,388)
Underwriting and other receivables	(18,444)	(25,842)
Other current assets	2,866	(76,805)
Accounts payable	49,115	11,448
Accrued compensation costs	86,506	59,299
Deferred revenue	106,658	(22,362)
Other current liabilities	(15,089)	(17,734)
Net cash provided by operating activities	<u>1,545,230</u>	<u>906,724</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(163,630)	(288,739)
Proceeds from sale of investments	233,954	234,648
Acquisition of property and equipment	<u>(1,477,948)</u>	<u>(279,271)</u>
Net cash used in investing activities	<u>(1,407,624)</u>	<u>(333,362)</u>
Change in cash and cash equivalents	137,606	573,362
Cash and cash equivalents, beginning of year	<u>2,259,337</u>	<u>1,685,975</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,396,943</u></u>	<u><u>\$ 2,259,337</u></u>

See notes to financial statements.

WAMC
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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.

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 unrestricted, temporarily restricted, or permanently restricted support 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, 2018 and 2017

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 17, 2018, the date the financial statements were available to be issued.

Reclassifications - Certain 2017 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, 2018 and 2017, 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 \$64,865 and \$55,886 was recognized as pledges receivable at June 30, 2018 and 2017, respectively, with the pledges receivable generally collected in July and August of the following fiscal year.

WAMC
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	June 30	
	2018	2017
Land	\$ 1,063,725	\$ 1,063,725
Buildings and improvements	3,177,848	3,100,129
Studio and other broadcast equipment	7,382,195	6,162,309
Furniture and office equipment	970,087	949,009
Transportation equipment	77,493	97,778
	<u>12,671,348</u>	<u>11,372,950</u>
Less accumulated depreciation	<u>7,305,335</u>	<u>6,979,862</u>
Net property and equipment	<u>\$ 5,366,013</u>	<u>\$ 4,393,088</u>

Depreciation expense was \$505,023 and \$405,009 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017

NOTE 4: INVESTMENTS (Continued)

All of WAMC's investments at both June 30, 2018 and 2017 were classified utilizing Level 1 inputs.

The following table sets forth WAMC's investments:

	June 30, 2018			June 30, 2017		
	Fair Market Value	Cost Basis	Unrealized Gain (Loss)	Fair Market Value	Cost Basis	Unrealized Gain (Loss)
Equity Securities	\$ 691,713	\$ 499,011	\$ 192,702	\$ 337,755	\$ 269,625	\$ 68,130
Equity Mutual Funds	264,099	155,882	108,217	522,328	384,722	137,606
Debt Security Mutual Funds	234,444	248,978	(14,535)	239,361	247,103	(7,742)
Other Mutual Funds	48,527	40,639	7,888	48,309	41,363	6,946
	<u>\$ 1,238,782</u>	<u>\$ 944,510</u>	<u>\$ 294,273</u>	<u>\$ 1,147,753</u>	<u>\$ 942,813</u>	<u>\$ 204,940</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	
	2018	2017
Realized gains	\$ 46,183	\$ 25,924
Unrealized gains	89,333	118,085
Net gains	<u>\$ 135,516</u>	<u>\$ 144,009</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 (5.00% at June 30, 2018). A similar line of credit was available through another financial institution in the prior fiscal year.

There were no borrowings under either credit facility in the years ending June 30, 2017 and 2018.

WAMC
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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>
2019	\$ 332,000
2020	273,000
2021	205,000
2022	191,000
2023	150,000
Thereafter	331,000
	<u>\$1,482,000</u>

Total expense under all operating leases was approximately \$375,000 and \$315,000 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017 was approximately \$64,800 and \$54,400, 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

Unrestricted net assets are comprised of the following:

	<u>June 30</u>	
	<u>2018</u>	<u>2017</u>
Board Designated First Amendment Fund	\$ 922,269	\$ 825,010
Other unrestricted	7,943,422	7,041,754
Total unrestricted net assets	<u>\$8,865,691</u>	<u>\$7,866,764</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 unrestricted – board designated.

WAMC
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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 \$353,000 and \$345,000 at June 30, 2018 and 2017, 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 \$90,600 and \$105,700 at June 30, 2018 and 2017, 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.

SUPPLEMENTARY INFORMATION

WAMC
SCHEDULE OF FUNCTIONAL EXPENSES
(With Comparative Totals for June 30, 2017)
Year Ended June 30, 2018

	<u>Program Services</u>				<u>Supporting Services</u>		<u>June 30, 2018 Totals</u>	<u>June 30, 2017 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	\$ 1,028,555	\$ 357,118	\$ 104,128	\$ 1,489,801	\$ 1,440,561	\$ 352,067	\$ 3,282,429	\$ 2,948,216
Other payroll related expenses	225,811	78,407	24,093	328,311	233,738	64,640	626,689	533,372
Professional and consulting services	1,613	31,362	-	32,975	2,268	53,399	88,642	128,416
Office supplies	8,165	1,228	-	9,393	6,496	15,109	30,998	28,567
Telephone	38,692	18,170	728	57,590	12,163	12,281	82,034	82,372
Rentals	25,260	358,296	-	383,556	-	16,745	400,301	345,379
Building supplies and expense	-	3,200	-	3,200	-	6,408	9,608	6,260
Travel	30,952	4,248	215	35,415	36,818	12,429	84,662	80,860
Program acquisition and production costs	1,210,108	30,000	48,247	1,288,355	-	-	1,288,355	1,265,530
Printing and publications	107,088	-	89,562	196,650	40,575	5,435	242,660	231,351
Utilities	38,720	128,564	-	167,284	-	52,818	220,102	223,892
Insurance	49,891	27,360	7,542	84,793	11,712	17,959	114,464	98,978
Depreciation	15,130	304,324	-	319,454	-	185,569	505,023	405,009
Postage and shipping	402	519	562	1,483	53,626	5,446	60,555	66,387
Premiums	-	-	-	-	134,612	-	134,612	95,511
Repairs and maintenance	43,396	29,412	-	72,808	641	84,691	158,140	133,281
Dues and subscriptions	35,246	4,918	12	40,176	28,995	5,518	74,689	64,381
Computer networking	14,068	9,692	11,285	35,045	13,127	7,532	55,704	60,950
Interest and credit card charges	-	-	-	-	108,251	43,526	151,777	124,623
Other expenses	8,848	4,712	2,496	16,056	25,150	-	41,206	39,338
	<u>\$ 2,881,945</u>	<u>\$ 1,391,530</u>	<u>\$ 288,870</u>	<u>\$ 4,562,345</u>	<u>\$ 2,148,733</u>	<u>\$ 941,572</u>	<u>\$ 7,652,650</u>	<u>\$ 6,962,673</u>