

WMMT-FM RADIO STATION  
WHITESBURG, KENTUCKY  
REGULAR AUDIT  
FOR THE YEAR ENDED SEPTEMBER 30, 2018



**Caudill & Associates, CPA PLLC**

3070 Lake Crest Cir – Box 267  
Lexington, KY 40513

Member American Institute of Certified Public Accountants  
Member American Institute of Certified Public Accountants – Not for Profit Section  
Member American Institute of Certified Public Accountants – Government Audit Quality Center

WMMT-FM RADIO STATION  
WHITESBURG, KENTUCKY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-10



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## INDEPENDENT AUDITOR’S REPORT

WMMT-FM Radio Station  
Whitesburg, Kentucky

To the Board of Directors:

### Report on the Financial Statements

We have audited the accompanying financial statements of WMMT-FM Radio Station (a public radio station owned and operated by WMMT-FM Radio Station) (“WMMT-FM”), which comprise the statements of financial position as of September 30, 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 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 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 WMMT-FM Radio Station as of September 30, 2018 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.

## **Report on Summarized Comparative Information**

The 2017 financial statements were previously audited by another auditor and their report dated February 22, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Caudill & Associates, CPA*

Caudill & Associates, CPA, PLLC

May 14, 2019

WMMT-FM RADIO STATION

STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2018 AND 2017

**Assets:**

	<u>2018</u>	<u>2017</u>
<u>Current Assets:</u>		
Cash	\$ 200	\$ 200
Cash in Bank	167,217	68,064
Accounts Receivable	-	-
Grants Receivable	99,000	16,592
Prepaid Expenses	<u>2,659</u>	<u>514</u>
Total Current Assets	<u>269,076</u>	<u>85,370</u>
<u>Other Assets:</u>		
Net Property, Plant & Equipment	446,746	441,997
Less accumulated depreciation	<u>(446,746)</u>	<u>(430,497)</u>
Total Other Assets	<u>-</u>	<u>11,500</u>
Total assets	<u>\$ 269,076</u>	<u>\$ 96,870</u>

**Liabilities and Net Assets:**

Current Liabilities:

Accounts Payable	5,881	1,410
Accrued Expenses	<u>5,778</u>	<u>-</u>
Total Current Liabilities	<u>11,659</u>	<u>1,410</u>
Advances from Appalshop, Inc.		-
Total Liabilities	<u>11,659</u>	<u>1,410</u>

Net Assets:

Unrestricted	140,042	95,460
Temporarily Restricted	<u>117,375</u>	<u>-</u>
Total Net Assets	<u>257,417</u>	<u>95,460</u>
Total Liabilities and Net Assets	<u>\$ 269,076</u>	<u>\$ 96,870</u>

The accompanying notes to the financial statements are an integral part of this statement.

WMMT-FM RADIO STATION

STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018			2017
	Unrestricted	Restricted	Total	Unrestricted
Revenues, Reclassifications and Other Support				
Nonprofit organizations	\$ 206,708	\$ 117,375	\$ 324,083	\$ 30,394
Corporation for Public Broadcasting	115,728	-	115,728	118,712
Individual membership contributions	48,965	-	48,965	33,161
Business income	6,573	-	6,573	6,470
Space rental income	4,452	-	4,452	4,512
Performance income	-	-	-	292
Sale of Assets	-	-	-	500
Other Income	500	-	500	405
Total Unrestricted Revenue	<u>382,926</u>	<u>117,375</u>	<u>500,301</u>	<u>194,446</u>
Expenses:				
Salaries and wages	220,005	-	220,005	170,737
General and Administrative	105,930	-	105,930	65,768
Medical Insurance	42,814	-	42,814	26,748
Fringe Benefits	30,833	-	30,833	21,765
Depreciation	11,498	-	11,498	11,498
Professional Fees	14,208	-	14,208	17,454
Travel	9,961	-	9,961	9,051
Honorariums	31,260	-	31,260	-
Contract Service	43,194	-	43,194	6,550
Utilities	7,041	-	7,041	6,762
Membership Fees	153	-	153	738
License and Fees	3,902	-	3,902	3,076
Fundraising	909	-	909	3,535
Rent	2,097	-	2,097	6,117
Dues, subscriptions & publications	3,623	-	3,623	-
Production consumables	4,139	-	4,139	4,419
Refreshments	801	-	801	479
Equipment	4,772	-	4,772	2,093
Registration Fees	-	-	-	1,365
Performance Fees	7,175	-	7,175	-
Consultant Fees	900	-	900	-
Shipping	1,467	-	1,467	417
Printing	3,324	-	3,324	200
Advertising	845	-	845	1,183
Office Supplies	283	-	283	354
Miscellaneous	3,033	-	3,033	2,629
Total Expenses	<u>554,167</u>	<u>-</u>	<u>554,167</u>	<u>362,938</u>
Increase (Decrease) in Net Assets	(171,241)	117,375	(53,866)	(168,492)
Net Assets, beginning of year	<u>95,460</u>	<u>-</u>	<u>95,460</u>	<u>101,251</u>
Transfers from other Appalshop, Inc Funds	<u>215,823</u>	<u>-</u>	<u>215,823</u>	<u>162,701</u>
Net Assets, end of year	<u>\$ 140,042</u>	<u>\$ 117,375</u>	<u>\$ 257,417</u>	<u>\$ 95,460</u>

The accompanying notes are an integral part of these financial statements

WMMT-FM RADIO STATION  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities:		
Increase/Decrease in net assets	\$ (53,866)	\$ (168,492)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,498	11,498
Net gain on disposal of property and equipment	-	(500)
(Increase) Decrease in Assets:		
Accounts Receivable	-	795
Grants Receivable	(82,408)	(16,592)
Prepaid Expenses	(2,145)	(514)
Increase (decrease) in Liabilities:		
Accounts Payable	4,472	850
Accrued Expense	5,779	(8,964)
Net cash used in operating activities	(116,670)	(181,919)
Cash Flows from Investing Activities		
Proceeds from sale of assets	-	535
Transfers from other Appalshop, Inc. Funds	215,823	162,701
Purchase of property, plant and equipment	-	-
Net cash provided by investing activities	215,823	163,236
Net increase/(decrease) in cash and cash equivalents	99,153	(18,683)
Cash at October 1, 2017	68,264	86,947
Cash at September 30, 2018	\$ 167,417	\$ 68,264

The accompanying notes to the financial statements are an integral part of this statement

WMMT-FM Radio Station  
Whitesburg, Kentucky

NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Organization is a public radio station owner and operated by Appalshop, Inc. The Organization is Appalshop, Inc's community public radio station, broadcasting around the clock, primarily with volunteer disc jockeys. The Organization has produced radio series that are distributed nationally and produces local programming including "Mountain Talk" that address local and regional issues. The Community Correspondents Corps project in training people inside and outside the Organization as local radio producers.

B. BASIS OF ACCOUNTING

This summary of significant accounting policies of WMMT-FM Radio Station (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

C. FINANCIAL STATEMENT PRESENTATION

Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: (1) Unrestricted Net Assets, (2) Temporarily Restricted Net Assets, and (3) Permanently Restricted Net Assets. In addition, the Organization is required to present a statement of cash flows.

D. ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reporting 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 those estimates.

E. FAIR VALUE OF FINANCIAL INSTRUMENTS

The FASB ASC defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities under current accounting principles generally accepted in the United States of America, and expands the disclosure of the methods used and the effects of fair value measurements on earnings.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. PROPERTY, PLANT & EQUIPMENT

Fixed assets acquired for the general use of the Organization in providing service are recorded at cost. Depreciation of fixed assets of the Organization is calculated utilizing the straight line method of five to twenty years. All assets reported in the financial statements are at cost less accumulated depreciation. Fixed asset purchases or construction are capitalized with a cost of \$2,500 or more and with a useful life of more than one year. Certain grantor agencies, through the terms of various grant agreements, maintain a legal interest in property and equipment acquired with grant funding and could take possession of such property and equipment upon improper use of such property and equipment by Appalshop, Inc. or dissolution of Appalshop, Inc. Depreciation expense for the fiscal years ended September 30, 2018 and 2017 was \$11,498 and \$11,498, respectively.

G. INCOME TAXES

The Corporation is exempt from U.S. Federal income taxes under Section 501 ( c )(6) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

The Financial Accounting Standards Board (FASB) has issued ASC 740-10, *Income Taxes* (formerly FIN 48, *Accounting for Uncertainty in Income Taxes*), which requires entities to disclose known or anticipated positions of income tax uncertainty. The Organization is not aware of any uncertain income tax positions as of May 14, 2019. The Organization could be subject to examination by the Internal Revenue Service or other applicable tax jurisdictions. There are currently no audits for any tax periods in progress.

H. REVENUES

Revenue Recognition – Grant revenue results from grant funds received in exchange transactions. Grant funds received in exchange transactions are deemed to be earned and reported in revenues of the applicable grant when the Organization has incurred expenses in compliance with the specific restrictions of the grant agreement. Expenses incurred for which grant funds have not been received are reported as grants receivable, while grant funds received but not yet earned are reported as deferred grant revenue. The associated net assets are unrestricted because the restrictions are imposed by the other party to the exchange transaction and not by the donor.

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restrictions ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. 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. The Organization received temporarily restricted revenue of \$103,340 and \$24,760 during the fiscal years ended September 30, 2018 and 2017, respectively, which is included as an increase in unrestricted net assets in the accompanying Statements of Activities since the restrictions expired during the same reporting period. The Organization had \$117,375 in temporarily restricted as of September 30, 2018 and no temporarily restricted net assets in 2017 and no permanently restricted net assets at September 30, 2018 and 2017.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. ADVERTISING EXPENSE

Advertising cost are expensed as incurred. Advertising expense for the fiscal years ended September 30, 2018 and 2017, totaled \$845 and \$1,183, respectively.

J. CONTRIBUTION SERVICES

The Organization receives contributed services from volunteers in connection with its various programs which do not meet the criteria for recognition. Accordingly, the value of these contributed services have not been reflected in the accompanying financial statements since it is not susceptible to objective measurement as required by FASB ASC. The Organization has 60 community program volunteers that produce 54 shows on a weekly or bi-weekly basis. Volunteer hours total 120 hours per week or approximately 6,240 hours annually.

CONTRIBUTION MATERIAL

The FASB ASC requires recognition of in-kind contributions of tangible assets at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions of materials are offset by like amounts included in in-kind expenses.

Donated Facilities and Administrative Support-Donated facilities from Appalshop, Inc., consist of office and studio space together with related occupancy costs and have not been estimated and recorded in revenues and expenses. The Organization is an integral part of many other Appalshop, Inc.'s programs and projects and management of Appalshop, Inc. does not allocate such expenses among the programs and projects. Administrative support from Appalshop, Inc., consist of costs and expenses incurred on behalf of the station.

NOTE 2—ADVANCES FROM APPALSHOP, INC.

There are no advances from Appalshop, Inc. as of September 30, 2018 and 2017.

NOTE 3—FUNCTIONAL EXPENSES

Expenses by their functional classification for the fiscal years ended September 30, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Broadcasting, programming and production	362,109	212,959
Management and administrative	90,699	65,768
Fundraising, membership and grant solicitation	<u>101,359</u>	<u>84,211</u>
Total	<u><u>554,167</u></u>	<u><u>362,938</u></u>

NOTE 4—CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

Protection of the Organization deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

*Deposits* At year end, the carrying amount of the Organization deposits was \$167,2171. The entire bank balance was covered by federal depository insurance.

NOTE 5 – ADMINSTRATIVE FEES

Charges are made to projects for administrative fees based on a percentage of expenditures. A charge which is based on salaries is also made to each project for fringe benefits. The Board of Directors of Appalshop, Inc. determines the percentage to be charged to each project. Administrative fees at September 30, 2018 and 2017, of \$90,699 and \$65,768, respectively, were charged to the Organization and included in expenses on the accompanying statement of activities.

NOTE 6 – In Kind Contributions

The Organization had in-kind contributions of \$500 and \$0 for the years ending September 30, 2018 and 2017, respectively.

NOTE 7 – SUBSEQUENT EVENTS

Consideration of subsequent events for inclusion and disclosure in these financial statements was made through the date of the report, which is the date that the financial statements were available to be issued, and would include all relevant material circumstances and events. No subsequent events were deemed necessary to disclose.

NOTE 8 – RETIREMENT PLAN

The Organization employees are eligible to participate in a 403(b) retirement plan that Appalshop, Inc. maintain for all of its employees. The Organization's contribution is equal to 6% of the average hourly salary for each hour worked. The Organization contributed \$11,888 and \$7,107 to the plan for the fiscal years ended September 30, 2018 and 2017, respectively.

NOTE 9 – Transfers from Other Appalshop, Inc's Funds

The transfers from other Appalshop, Inc.'s funds at September 30, 2018 and 2017, in the amount of \$215,823 and \$164,254, respectively. consist of direct transfers to the Organization unrestricted net assets from other projects, programs, and unrestricted net assets within Appalshop, Inc .

Endowment funds from the Appalshop Trust were allocated to the Organization during the fiscal years ended September 30, 2018 and 2017, in the amount of \$114,238 and \$34,932. Respectively. These funds were awarded to support original audio production work by the Organization's staff and are included in the accompanying statements of activities. The Appalshop Trust, established in 1990, is administered by three Trustees, elected by the Appalshop Inc.'s Board of Directors. The Trustees approve the distributions of allocations from the endowment funds.

NOTE 10 – CONTINGENCY

The Organization receives funding from Federal and Kentucky government agencies. The funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to be used for the intended purpose, the grantors may request a refund of monies advanced, to refuse to reimburse the Organization for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Organization's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs. Management is not currently aware of any significant grantors' concerns or programs to be discontinued.